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PART IX.

# FURTHER CORRESPONDENCE

RESPECTING THE

# FINANCES OF TURKEY.

1888.

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# Further Correspondence respecting the Finances of Turkey.

## PART IX.

### No. 1.

*Memorandum communicated to the Marquis of Salisbury by M. Catalani, January* 2, 1888.

DANS un récent Rapport sur la situation financière de l'Empire Ottoman, l'Ambassadeur d'Italie à Constantinople, après avoir énuméré les inconvénients et les abus qui sont la conséquence du monopole financier exercé en Turquie par les capitalistes Français, a fait la proposition suivante:—

Selon lui, les Délégués d'Italie, d'Angleterre, d'Autriche-Hongrie, et d'Allemagne dans le sein de la Commission Internationale de la Dette Turque devraient se tenir en communication et se concerter avec les Ambassadeurs des quatre Puissances par la mesure éventuelle à prendre; et l'accord des quatre Ambassadeurs devrait être suivi par l'accord des quatre Délégués, qui formeraient alors une majorité compacte dans la Commission.

Le Gouvernement Italien approuverait ce projet et dans le cas où il serait également approuvé par Lord Salisbury, le Chargé d'Affaires d'Italie prie sa Seigneurie de vouloir bien donner des instructions dans ce sens à l'Ambassade de Sa Majesté la Reine à Constantinople et au Délégué Britannique dans la Commission de la Dette Turque.

*Le* 31 *Décembre*, 1887.

### No. 2.

*The Marquis of Salisbury to Sir J. Savile.**

(No. 6.)

Sir, *Foreign Office, January* 10, 1888.

THE Italian Chargé d'Affaires has communicated to me the inclosed Memorandum,† calling attention to the inconvenience which is believed to result from the monopoly enjoyed by French capitalists in Turkey.

M. Crispi proposes as a remedy that the Delegates of Italy, Great Britain, Austria, and Germany, in the Commission of the Ottoman Debt, should act in concert and in communication with their respective Ambassadors on any measures to be taken.

I have informed M. Catalani, in reply, that this proposal should be forwarded to Her Majesty's Ambassador at Constantinople, and that he would be ready to communicate freely with the Representatives of the Powers named on any questions which might arise in regard to Turkish finance.

But I have pointed out that it is not possible for Her Majesty's Government to send any instructions to the British Delegate in the Council for the debt, as they were not parties to the Agreement by which that Council was established, nor is the British

* Also to Sir W. White (No. 7).

† No. 1.

member appointed by them, or subject to their directions. I understand that he acts under the direction of the London Council of Foreign Bondholders, whose interests he represents.

I am, &c.
(Signed) SALISBURY.

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No. 3.

*Mr. O'Conor to the Marquis of Salisbury.*—(*Received February* 6.)

*Sophia, January* 23, 1888.

(No. 15.)

My Lord,

I HAVE the honour to inclose herewith to your Lordship, extracted from the newspaper "La Bulgarie," a copy of the Law which was passed by the Sobranje on the 15th (27th) December, 1887, respecting the payment of the Tribute of the Province of Eastern Roumelia to the Porte.

I have, &c.
(Signed) N. R. O'CONOR.

---

Inclosure in No. 3.

*Loi pour le Payement de la Dette de l'ex-Roumélie Orientale envers la Sublime Porte, votée par la Chambre dans sa Séance du* 15 (27) *Décembre*, 1887, *et sanctionnée par Décret Princier No.* 265 *du* 17 (29) *du même Mois.*

Article 1er. Le payement de la dette restante jusqu'au 1er Septembre, 1885, de l'ex-Roumélie Orientale aura lieu d'après le compte et en base du vote de l'ex-Assemblée Provinciale de la Roumélie Orientale du 8 Décembre, 1882, c'est-à-dire, sur la base de la somme de £ T. 185,000 par an, y compris les revenus des douanes, on un total de £ T. 177,292·58.

*Remarque.*—S'il est constaté qu'il a été versé sur ledit montant une somme quelconque, celle-ci en sera déduite.

Art. 2. A partir du 1er Septembre, 1885, jusqu'à ce jour, ainsi qu'à l'avenir et jusqu'à nouvel ordre, la dette de l'ex-Roumélie Orientale envers la Sublime Porte est déterminée sur la base de trois dixièmes du revenu net de ladite province, constaté dans ses Budgets rectificatifs, pour la période allant de l'année 1879 au 1er Mars de l'année 1885, c'est-à-dire il sera payé la somme de £ T. 130,000, y compris le montant des revenus des douanes.

Art. 3. Le payement de la dette jusqu'au 1er Septembre, 1885, ainsi que depuis cette date jusqu'au 31 Décembre, 1887, sera effectué par voie d'amortissement (sans intérêt) en versant annuellement à raison de 500,000 fr.

Art. 4. Le mode et les termes des payements, ceux de l'amortissement ainsi que du Tribut annuel, seront déterminés par le Ministre des Finances avec l'approbation du Conseil des Ministres.

("Journal Officiel," année 1888, No. 2.)

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No. 4.

*Rustem Pasha to the Marquis of Salisbury.*—(*Received March* 21.)

*Londres, le* 19 *Mars*, 1888.

My Lord,

L'EXCÉDANT des revenus de l'île de Chypre sur les dépenses administratives, qui, d'après l'Article III de la Convention du 4 Juin, 1878, doit être payé à la Sublime Porte, n'a pas encore, jusqu'à ce jour, été définitivement fixé. La manière de voir du Gouvernement de Sa Majesté Britannique sur cette question se trouve indiquée dans un Mémorandum qui a été communiqué à mon prédécesseur le 17 Juillet, 1883. Le Gouvernement Impérial a examiné avec attention ce Mémorandum, et il lui a paru de nature à motiver certaines observations que je suis chargé de présenter à votre Seigneurie.

En premier lieu, je suis autorisé à informer votre Seigneurie qu'en vue de faciliter une solution le Gouvernement Impérial accepte comme équivalent seulement du revenu



du Tapou la somme de 5,000*l.* fixé dans un projet d'arrangement élaboré en 1879 entre Carathéodory Pacha et Sir Henry Layard, et qui n'avait point été ratifié par le Gouvernement Impérial. Cette somme devra donc être ajoutée au total de l'excédant qui résulte des nouveaux tableaux.

D'autre part, en ce qui touche le produit des salines, le Gouvernement Impérial accepte également la proposition du Gouvernement de Sa Majesté Britannique consistant à faire remettre à l'Administration de la Dette Publique Ottomane, contre paiement seulement du prix d'extraction, tout le sel provenant des dites salines, après déduction de la quantité nécessaire à la consommation locale.

J'ai indiqué dans l'exposé ci-joint les observations suggérées à la Sublime Porte par l'étude des tableaux qui lui ont été communiqués et les modifications qu'elle propose d'y apporter. Je me permets de recommander à l'attention bienveillante du Gouvernement de Sa Majesté Britannique les raisons que la Sublime Porte fait valoir à l'appui de ses représentations. J'espère qu'elles seront considérées de nature à obtenir son assentiment et à terminer d'une façon satisfaisante et définitive une affaire qui, depuis plusieurs années, se trouve en suspens.

J'ai, &c.
(Signé) RUSTEM.

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Inclosure in No. 4.

*Observations sur le Mémorandum concernant l'Excédant des Revenus de Chypre.*

*Quart de Dîme Supplémentaire perçu en* 1290 *et* 1291.

LE Tableau (C) du Mémorandum dressé par le Gouvernement de Sa Majesté Britannique énumère certaines taxes et autres recettes que l'on propose de déduire du montant des revenus de la période quinquennale 1289–1293 (1873–1877) sur laquelle la moyenne des revenus annuels de Chypre doit être calculée. Sur ce Tableau (C) figure une somme de 4,341,714 piastres représentant le montant d'un quart de dîmes supplémentaires perçu durant les années 1290, 1291. Le produit de ce quart de dîmes ne constituant pas un revenu permanent, on avait paru être d'accord pour ne pas le faire figurer sur les comptes. Il a été porté cependant sur le Mémorandum, mais de deux façons différentes; car, tandis qu'il figure sur le Tableau (C) (celui des sommes à déduire) pour 4,341,714 piastres, ce même quart de dîmes n'est inscrit au Tableau (A) (celui des recettes) que pour 3,161,159 piastres. La raison de cette différence est que le premier chiffre est celui de la prévision budgétaire de ce que le quart de dîmes aurait dû produire, et le second chiffre celui de la somme qui a été réellement encaissée. Les Commissaires Ottomans et Anglais, qui ont élaboré le bilan des revenus et des dépenses de l'île, ayant été d'accord pour baser leurs calculs sur les recettes et les dépenses réellement effectuées, et non pas sur les prévisions budgétaires, il y a lieu d'appliquer ce principe au cas dont il s'agit; car il ne serait pas admissible que d'un côté on inscrivit le montant des encaissements effectués, qui est un chiffre réel, et de l'autre le montant des prévisions budgétaires, qui est un chiffre approximatif. En vue de rétablir l'équilibre, il faudrait donc majorer le compte des revenus de la différence existant entre les deux sommes. En prenant la moyenne quinquennale de cette différence, et en la réduisant en livres Turques, on trouve une somme de £ T. 2,361 à ajouter à l'excédant des revenus annuels de l'île.

*Revenus du Tapou.*

D'après la Convention du 4 Juin, 1878, le produit du revenu dit Tapou devait être exclu de l'excédant des revenus de l'île de Chypre, et le Ministère Impérial des Finances s'était abstenu de le mettre en compte. Ce revenu est indiqué cependant sur le Tableau (A) des recettes, dans le chapitre des "Recettes Diverses" du Département des Finances, pour une somme de 1,995,265 piastres, formant en livres Turques une moyenne quinquennale de £ T. 3,990. D'autre part le montant de ce revenu a été fixé d'un commun accord par la Convention postérieure du 3 Février, 1879, à 5,000*l.*, ou £ T. 5,991, et c'est cette dernière somme qui, dans le Mémorandum, est portée en déduction de la moyenne quinquennale de l'excédant. Mais, comme il a été dit, ce revenu ne figure dans le Tableau (A) que pour une somme dont la moyenne quinquennale équivaut à £ T. 3,990. Il y aurait donc lieu de corriger les chiffres

portés au Tableau (A) et de tenir compte au Gouvernement Impérial de la différence entre £ T. 5,991 et £ T. 3,990, ce qui fait une somme de £ T. 2,001 en faveur du Trésor Impérial.

*Pensions, Intérêts, et Redevances ("Bedelats").*

Le chapitre "Département des Finances," porté au Tableau (B), contient parmi ses items une somme de 559,787 piastres qui a été payée à Chypre durant l'espace de cinq années pour pensions, intérêts, et redevances. La Sublime Porte fait observer que cette dépense ne rentre pas dans la catégorie des frais administratifs particuliers à l'île de Chypre, et que son inscription au chapitre des frais permanents n'aurait pas dû avoir lieu. Les personnes qui jouissent de pensions à servir par le Trésor Impérial peuvent les toucher ailleurs tout aussi bien qu'à Chypre; ces pensions sont également payables dans toutes les localités où les titulaires peuvent résider d'une façon permanente ou temporaire. Si quelques-uns des bénéficiaires veulent toucher leurs pensions à Chypre, ils doivent faire auprès du Ministère Impérial des Finances certaines démarches et ce Département donne à leurs instances le cours indiqué par les règlements ou les circonstances du cas. C'est ainsi que la Sublime Porte a écrit à l'Ambassade de Sa Majesté Britannique de vouloir bien faire payer les pensions de Moustapha Agha, de Salih Agha, et de Edib Effendi. En outre, il y a lieu de remarquer que lorsque ces pensions s'éteignent le montant en fait retour au Trésor Impérial. Il conviendrait, par conséquent, d'éliminer cette somme du Tableau (B). La moyenne quinquennale de ces 559,787 piastres, réduite en livres Turques, forme une somme de £ T. 1,119 dont il y a lieu de tenir compte.

*Emprunt forcé,*

De même, le Gouvernement Impérial ne croit pas qu'il y ait lieu de faire figurer au Tableau (C) parmi les réductions à apporter aux recettes générales la somme de 379,578 piastres, représentant le montant d'un emprunt forcé levé en 1877. Le Gouvernement de Sa Majesté Britannique se propose de rembourser les personnes qui ont participé à cet emprunt moyennant une annuité de 56,969 piastres, s'étendant sur une période de onze à douze ans. Le Gouvernement Impérial est d'avis que, de quelque manière que l'on procède à l'égard de cet emprunt, il doit faire l'objet d'un règlement à part; et il propose d'éliminer la dite somme de 379,578 piastres du compte destiné à établir l'excédant des revenus. En en prenant, comme il a été fait plus haut pour les autres sommes, la moyenne quinquennale réduite en livres Turques, on obtient une somme de £ T. 759.

*Caïmé.*

Le Gouvernement de Sa Majesté Britannique a porté en déduction de l'excédant des revenus quinquennaux, tels qu'il a été provisoirement établi par les Tableaux (A), (B), et (C), une somme de 957,146 piastres, qui représenterait la différence entre la valeur de la livre Turque et celle du Caïmé, qui avait été émis en Juillet 1292, et dont les contribuables avaient fait usage pour acquitter une partie des impôts des années 1292 et 1293.

La Sublime Porte fait observer qu'en ce qui touche les dîmes cette réduction a déjà été opérée, ainsi que le constate, du reste, le Mémorandum Anglais, et que la somme de 5,039,766 piastres, représentant le produit de la dîme pour l'année 1293, est portée sur le Tableau en or. Le Gouvernement de Sa Majesté Britannique voudrait faire subir aux autres revenus de la même année une réduction proportionnelle. Cette proposition avait, en effet, été mise en avant par le Commissaire de Sa Majesté Britannique, qui voulait opérer la défalcation sur d'autres chefs de recettes, et notamment sur le produit des spiritueux. Les Commissaires Ottomans ont combattu cette intention, et leurs arguments avaient alors été acceptés. La Sublime Porte assure que les effets produits partout par la dépréciation du Caïmé durant la période de sa circulation n'ont réellement affecté que le rendement des dîmes, les autres revenus ayant été encaissés pendant et après ladite époque d'après des tarifs et sur une base qui rétablissaient l'équilibre. La réduction inscrite de ce chef dans le Mémorandum porterait donc à la Sublime Porte un préjudice qui ne serait pas justifié par les faits, et elle propose de faire disparaître cette réduction et de rétablir au compte de l'excédant des recettes la somme de £ T. 9571, qui représente la contre-valeur.



*Conversion du Métallique.*

Le Gouvernement Impérial croit devoir présenter une dernière observation relativement à la conversion en or du montant de l'excédant du revenu. Le Gouvernement de Sa Majesté Britannique a établi cette conversion sur la base de 108 piastres 10 p. la livre Turque. Sans objecter à l'adoption de ce taux, la Sublime Porte fait remarquer que le Gouvernement Anglais l'applique au chiffre total de la somme qui constitue l'excédant, tandis qu'une partie de cette somme, c'est-à-dire le montant des dîmes, ayant déjà été convertie et portée en compte en monnaie d'or, ne doit être assujettie à aucune réduction. La conversion doit donc porter uniquement sur la partie des revenus encaissés en metallique, à l'exclusion de la dîme.

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RÉCAPITULATION indiquant les Différences qui existent entre les Chiffres contenus dans le Mémorandum du Gouvernement Anglais et ceux résultant des Vérifications effectuées par le Trésor Impérial.

| | £ T. | £ T. |
|---|---|---|
| Montant de l'excédant annuel d'après les calculs du Gouvernement Anglais .. .. .. .. .. | | 97,063 |
| Différence entre l'évaluation du quart de dîme des années 1290-91 .. | 2,361 | |
| Différence entre l'évaluation des revenus du Tapou .. .. | 2,001 | |
| Pensions, redevances, et Bédélats .. .. .. .. | 1,119 | |
| Emprunt forcé .. .. .. .. .. .. | 759 | |
| Différence dans le compte du Caïmé .. .. .. .. | 9,571 | |
| | | 15,811 |
| | | 112,874 |

(La livre Turque à raison de cent piastres.)

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No. 5.

*The Earl of Lytton to the Marquis of Salisbury.*—(*Received March* 24.)

(No. 183. Confidential.)

My Lord, *Paris, March* 23, 1888.

WITH reference to Mr. Egerton's No. 450, Confidential, of the 9th November last, I have the honour to inclose the scheme emanating from the Ottoman Bank for the guarantee of the Egyptian Tribute Loans by France and England, which has been confidentially communicated to this Embassy by Mr. Caillard.

Mr. Caillard stated that he met Count Chaudordy yesterday at the Bank, who, though perfectly aware of the difficulties of obtaining English assent to a guarantee of the kind, appeared, notwithstanding, to be contemplating going to London on this business.

I have, &c.
(In the absence of the Ambassador),
(Signed) EDWIN H. EGERTON.

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Inclosure 1 in No. 5.

*Note sur les Emprunts Ottomans garantis par le Tribut d'Égypte.*

*Préambule.*

AU moment où le sort de la Convention Anglo-Turque était encore en suspens, certains esprits, préoccupés de l'antagonisme qui paraissait régner entre la France et l'Angleterre, ont cherché un terrain d'action commune sur lequel des intérêts généraux d'un ordre supérieur pourraient recevoir satisfaction, et ont suggéré dans ce but une combinaison financière facile à réaliser. Ils durent renoncer momentanément à l'étude de cette question en présence de l'échec de la Convention Anglo-Turque et de l'émotion qui s'en est suivie en Angleterre. Mais les arrangements qui ont été récemment conclus pour le règlement des difficultés relatives aux Nouvelles Hébrides et à l'Isthme de Suez ont de nouveau rendu possible une négociation qui ne peut manquer d'affirmer de part et d'autre un bon vouloir qui a déjà porté ses fruits.

Ces négociations concerneraient les Emprunts Ottomans gagés sur le Tribut d'Égypte.

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*Historique.*

Le Firman du 22 Mai, 1841, a fixé à 80,000 Bourses (£ T. 400,000) le Tribut que Méhémed Ali et ses successeurs sont tenus de payer annuellement au Trésor Impérial.

Le Firman du 27 Mai, 1866, attribuant à l'Égypte les Caïmakamies de Suakim et de Massouah, et fixant l'ordre de succession directe dans la descendance d'Ismaïl Pacha, a porté le Tribut annuel de 80,000 à 150,000 Bourses, c'est-à-dire à £ T. 750,000. En outre pour le port de Zeïlah, dont l'administration lui a été conférée, Ismaïl Pacha s'est engagé à augmenter de £ E. 15,000 le montant du Tribut annuel.

Au total le Tribut rapporte actuellement au Trésor Turc £ E. 765,000, soit 695,454*l.* 10*s.* 10*d.*

Sur cette somme la Sublime Porte prélève *ab antiquo* 12 à 15 mille livres pour les frais du pèlerinage de la Mecque et 3 à 4 mille livres pour le service de certaines pensions.

Le solde a été successivement affecté en gage à divers Emprunts contractés et émis en Occident.

Le premier en date est celui de 1854. Depuis son émission jusqu'en 1877 la Banque d'Angleterre recevait annuellement du Vice-Roi d'Égypte une somme de 282,000*l.* pour le service des intérêts et de l'amortissement de cet Emprunt. On verra ci-après les modifications résultant des arrangements intervenus en 1877.

Un deuxième Emprunt, gagé en partie seulement sur le Tribut d'Égypte, le complément de l'affectation étant fourni par les Revenus de Douane de Smyrne et de Syrie, a été contracté en 1855 sous la garantie conjointe et solidaire de la France et de l'Angleterre (Convention du 27 Juin et Déclaration du 27 Juillet, 1855). Le Tribut ne concourt au service de cet Emprunt que pour 72,000*l.*; la garantie des deux Puissances pour le paiement régulier des intérêts dûs aux obligations restant à amortir porte depuis 1875 sur 152,600*l.*; elles ne sont donc couvertes pour l'excédant, soit pour 80,000*l.*, que par les versements directes de la Porte, sans autre garantie.

En 1875, lors de la promulgation de l'Iradé du 6 Octobre, la Sublime Porte a officiellement déclaré aux deux Puissances Signataires que les mesures financières ordonnées par cet Iradé ne seraient pas appliquées à l'Emprunt de 1855; nonobstant, à partir de la même époque, l'amortissement de cet Emprunt a cessé de fonctionner.

L'Emprunt de 1855 n'a pas été compris dans les arrangements de 1877.

Le troisième Emprunt, gagé par le Tribut d'Égypte, a été contracté en 1871, absorbant le solde du Tribut augmenté en 1866, soit 399,000*l.*, jusqu'à l'émission du quatrième Emprunt de cette catégorie en 1877.

Le quatrième Emprunt est celui qui, contracté en 1877, est connu sous le nom d' "Emprunt de la Défense." Cette date et cette dénomination indiquent clairement les circonstances qui ont rendu l'Emprunt nécessaire; mais il fallait, pour le rendre possible, le consentement des porteurs des Emprunts antérieurement émis sur le gage du Tribut d'Égypte, et, outre leur consentement, des réductions importantes dans le service des intérêts et de l'amortissement.

Lors des négociations qui ont été entamées à cet effet, on a laissé hors de cause les porteurs de l'Emprunt de 1855; il aurait fallu réclamer l'adhésion des États garants de cet Emprunt, et sous la pression des circonstances on s'est limité aux arrangements intervenus avec les porteurs des Emprunts de 1854 et de 1871.

Ces arrangements, portant à la fois sur le taux d'intérêt et sur les conditions d'amortissement, ont eu pour effet de diminuer le montant du Tribut respectivement affecté au service de chacun de ces Emprunts; l'annuité de l'Emprunt de 1854 a été réduite de £ E. 282,000 à 99,511*l.*, et celle de l'Emprunt 1871 de 399,000*l.* à 229,737*l.*, et l'émission d'un Emprunt pour la défense est devenue possible sur le gage du montant ainsi libéré.

Les porteurs, de leur côté, ont accepté ces réductions en raison des concessions qu'ils ont simultanément obtenues du Gouvernement Ottoman, et qui ont eu pour effet d'enlever pour toujours à l'Ambassadeur du Sultan toute action sur les sommes versées par le Khédive à la Banque d'Angleterre en exécution du Firman Impérial, et de faire opérer le versement de ces sommes au compte direct et personnel de leurs propres mandataires "Trustees." Gagnant en sécurité ce qu'ils ont perdu en revenu, ils ont vu monter le cours des obligations qu'ils avaient en portefeuille.



Ces arrangements, suivis immédiatement de l'Emprunt de 1877, établissent comme suit l'affectation du Tribut d'Égypte aux divers Emprunts ci-dessus :—

| | £ |
|---|---|
| A l'Emprunt de 1854 .. .. .. .. .. .. | 99,511 |
| A celui de 1871 .. .. .. .. .. .. .. | 229,737 |
| A celui de 1877 .. .. .. .. .. .. .. | 280,622 |
| L'Emprunt de 1855 continuant de prélever le montant primitif de .. .. | 72,000 |
| Total .. .. .. .. .. .. | 681,870 |

En résumé, le Tribut d'Égypte se trouve entièrement affecté au service de ces quatre Emprunts, sans même y suffire—la Sublime Porte devant, en ce qui concerne l'Emprunt de 1855, compléter l'annuité au moyen d'un prélèvement sur ses revenus de Douane.*

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*Projet.*

La France et l'Angleterre, agissant conjointement et solidairement, procèdent à l'unification et à la conversion des quatre Emprunts Ottomans gagés sur le Tribut d'Égypte.

En échange des titres qui les représentent, elles émettent un Emprunt en rente perpétuelle 3 pour cent au pair.

Elles nomment chacune un Commissaire chargé de surveiller l'encaissement du Tribut et son affectation. L'engagement pris par le Khédive en son nom et au nom de ses successeurs assurant la remise directe à la Banque d'Angleterre des sommes qui le composent, cette remise continuera à se faire comme par le passé, mais aux crédit des deux Gouvernements au lieu de l'être au crédit des porteurs et de leurs représentants.

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*Résultats de l'Opération Projetée.*

1.—*Au Point de Vue Financier.*

| | £ |
|---|---|
| Les obligations en circulation forment un total de 15,357,150*l.*, exigeant une annuité de .. .. .. .. .. .. .. | 681,870 |
| La conversion de ces obligations en Rente Perpétuelle 3 pour Cent réduirait l'annuité à .. .. .. .. .. .. .. | 459,823 |
| D'où libération du Tribut pour .. .. .. .. .. environ, lesquelles resteraient à la disposition de la Turquie dans des conditions à déterminer ultérieurement. | 222,047 |

2.—*En ce qui concerne la France et l'Angleterre.*

Elles se trouveraient dégagées de la garantie qu'elles ont assumée relativement aux intérêts de l'Emprunt de 1855; cette garantie porte actuellement sur 80,600*l.*, et on doit la considérer comme perpétuelle, la Sublime Porte ayant, de fait, cessé depuis plusieurs années le service de l'amortissement stipulé au contrat de l'Emprunt.

3.—*En ce qui concerne la Turquie.*

(*a.*) Elle n'aurait plus à prélever sur ses douanes de Smyrne et de Syrie les sommes nécessaires pour parfaire avec la quote-part du Tribut les intérêts de l'Emprunt 1855;† elle entrerait ainsi dans la libre disposition d'une somme annuelle de 80,600*l.*

(*b.*) Elle bénéficierait directement ou indirectement de l'emploi qui serait fait par les deux Puissances garantes à la suite d'un accord ultérieur du solde de 222,047*l.* libéré par l'opération en vue.

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* This deficit is now supplied by deduction from the surplus revenue of Cyprus payable by England to the Porte.—T. H. S.

† See previous foot-note. These sums are now deducted from the surplus revenue of Cyprus.—T. H. S.

Inclosure 2 in No. 5.

*Emprunts garantis par le Tribut d'Égypte.—Quatre Tableaux.*

*Emprunt de* 1854.

Émis par MM. Dent, Palmer, et Cie., à Londres, au capital nominal de 3,000,000*l.* à 6 pour cent d'intérêt et 1 pour cent d'amortissement.

En vertu de l'arrangement de 1877 :—

| | |
|---|---|
| Capital | 1,800,000*l.* |
| Intérêt | 5 pour cent. |
| Amortissement | ½ pour cent. |
| Délai d'amortissement | 49 ans (1926). |
| Montant de l'annuité | 99,511*l.* 11*s.* 7*d.* |
| Reste à amortir (Janvier 1888) | 1,672,450*l.* |

*Emprunt de* 1855.

Émis par MM. Rothschild et Fils à Londres au capital de 5,000,000*l.* à 4 pour cent d'intérêt et 1 pour cent d'amortissement.

Par un acte *motu proprio* du Gouvernement Ottoman l'amortissement a cessé de fonctionner en 1875.

| | £ |
|---|---|
| Reste à amortir | 3,815,000 |
| Intérêt annuel garanti par la France et l'Angleterre | 152,000 |
| Couvert par le Tribut jusqu'à concurrence de | 72,000 |

*Emprunt de* 1871.

Émis par MM. Dent, Palmer, et Cie. au capital de 5,700,000*l.* à 6 pour cent intérêt et 1 pour cent d'amortissement.

En vertu de l'arrangement de 1877, l'amortissement est différé jusqu'après le remboursement complet de l'Emprunt de 1854 et l'intérêt réduit à 4¼ pour cent l'an.

| | £ | *s.* | *d.* |
|---|---|---|---|
| Le capital à amortir est donc le même qu'en 1877, savoir | 5,378,000 | 0 | 0 |
| Annuité pour les intérêts | 229,737 | 14 | 6 |

*Emprunt de la Défense,* 1877.

Émis par la Banque Impériale Ottomane à Londres :—

| | |
|---|---|
| Capital nominal | 5,000,000*l.* |
| Intérêts | 5 pour cent. |
| Amortissement | ½ pour cent par rachat. |
| Delai d'amortissement | Indéterminé. |
| Montant de l'annuité | 280,622*l.* |
| Reste à amortir | 4,492,000*l.* |

RÉCAPITULATION.

| Emprunts. | Capital. | Affectations du Tribut | | Différences | |
|---|---|---|---|---|---|
| | | Actuellement. | Après Conversion en 3 pour cent. | En moins. | En plus. |
| | £ | £ | £ | £ | £ |
| 1854 | 1,672,450 | 99,511 | 50,173 | 50,338 | .. |
| 1855 | 3,815,000 | 72,000 | 114,450 | .. | 42,450 |
| 1871 | 5,378,000 | 229,737 | 161,340 | 68,397 | .. |
| 1877 | 4,492,000 | 280,622 | 133,860 | 146,762 | .. |
| Totaux | 15,357,450 | 681,870 | 459,823 | 264,497 | 42,450 |
| | | | | Différence en moins, 222,047 | |



ANNUITÉS.

DATES DES VERSEMENTS DU TRIBUT ÉGYPTIEN À LONDRES.

(Montant du Tribut, 681,872*l.* 4*s.* 5*d.*)

| Dates des Versements. | Versements pour l'Emprunt de 1854. | Versements pour l'Emprunt de 1885. | Versements pour l'Emprunt de Défense de 1877. | Versements pour l'Emprunt de 1871. |
|---|---|---|---|---|
| | £ *s.* *d.* | £ *s.* *d.* | £ *s.* *d.* | £ *s.* *d.* |
| Octobre 25 | 14,100 0 0 | .. | .. | .. |
| Novembre 15 | 14,100 0 0 | .. | .. | .. |
| „ 30 | 14,100 0 0 | .. | .. | .. |
| Décembre 13 | .. | 14,100 0 0 | .. | .. |
| „ 27 | .. | 14,100 0 0 | .. | .. |
| Janvier 10 | 2,932 10 9 | 7,800 0 0 | .. | .. |
| „ 31 | .. | .. | 116,000 0 0 | .. |
| Mars 10 | .. | .. | 24,311 9 2 | .. |
| Avril 6 | .. | .. | .. | 114,868 17 3 |
| Juin 10 | .. | .. | 10,000 0 0 | .. |
| „ 26 | .. | 15,700 0 0 | .. | .. |
| Juillet 12 | .. | 15,700 0 0 | .. | .. |
| „ 27 | .. | 4,600 0 0 | .. | .. |
| „ 31 | .. | .. | 95,000 0 0 | .. |
| Août 16 | 11,979 0 10 | .. | .. | .. |
| „ 30 | 14,100 0 0 | .. | .. | .. |
| Septembre 10 | .. | .. | 20,000 0 0 | .. |
| „ 13 | 14,100 0 0 | .. | .. | .. |
| „ 25 | .. | .. | 15,311 9 2 | .. |
| „ 27 | 14,100 0 0 | .. | .. | .. |
| Octobre 6 | .. | .. | .. | 114,868 17 3 |
| | 99,511 11 7 | 72,000 0 0 | 280,622 18 4 | 229,737 14 6 |

*Emprunt garanti de* 1855.

| 1888, Janvier— | £ |
|---|---|
| Reste à rembourser | 3,815,000 |
| Passible pour intérêts à 4 pour cent l'an de | 152,600 |
| La garantie de la France et de l'Angleterre portant sur les intérêts représente donc | 152,600 |
| Tandis que le Tribut n'y concourt que pour | 72,000 |
| D'où pour les États garants insuffisance de gage de | 80,600 |
| A laquelle la Turquie a jusqu'à présent fait face par ses versements directs. | |

Cet Emprunt pourrait être compris dans l'opération projetée, la Sublime Porte s'étant réservé le droit de le rembourser au pair par l'Article 12 de son Contrat ainsi conçu :—

"Le Gouvernement Ottoman aura le droit de racheter au pair le montant des certificats qui ne seront pas remboursés à partir du 1er Avril, 1859."

(Pour le texte intégral du Contrat voir la "Presse d'Orient" du 15 Août, 1855.)

Sa conversion en 3 pour cent réduirait les intérêts à 114,450*l.*

*Résultats.*

1. La garantie de la France et de l'Angleterrre pourrait être entièrement couverte par le Tribut.
2. La Porte réaliserait une économie de 80,600*l.*

No. 6.

*The Marquis of Salisbury to Rustem Pasha.*

M. l'Ambassadeur, *Foreign Office, March* 24, 1888.

I HAVE the honour to acknowledge the receipt of your Excellency's note of the 19th instant relative to the amount of the surplus revenue of Cyprus to be paid by Her Majesty's Government to the Sublime Porte under the Convention of the 4th June, 1878. With this communication you forward a Memorandum containing observations by your

Government on the statement submitted to them in 1883 by Her Majesty's Government in regard to this question. I beg to assure your Excellency that your representations shall receive prompt and careful attention.

I have, &c.
(Signed) SALISBURY.

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No. 7.

*Foreign Office to Treasury.**

*Foreign Office, March* 28, 1888.

Sir,

I TRANSMIT to you herewith, to be laid before the Lords Commissioners of Her Majesty's Treasury, for their consideration and observations, a copy of a note from the Turkish Ambassador at this Court,† with a Memorandum on the statement submitted to the Porte in 1883 as to the amount of the surplus revenue of Cyprus to be paid by Her Majesty's Government to the Turkish Government under the Convention of the 4th June, 1878.

His Excellency invites the attention of Her Majesty's Government to this statement, and he has been informed, in reply, that his communication will receive prompt and careful attention. I am consequently to request that Lord Salisbury may be favoured with their Lordships' observations at an early date.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

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No. 8.

*Sir E. Malet to the Marquis of Salisbury.—(Received April* 9.)

(No. 103. Confidential.)

My Lord,

*Berlin, April* 7, 1888.

COUNT BISMARCK has been good enough to give to me, for perusal, a very interesting Confidential Report, drawn up by Herr von Radowitz, German Ambassador to the Porte, upon the subject of the influence acquired by the French in financial affairs at Constantinople.

His Excellency said that Baron Blanc, the Italian Ambassador to the Porte, had first called attention to the subject, and that the Report drawn up by that Ambassador had been submitted to Herr von Radowitz, who had, in his turn, made the Report which Count Bismarck allowed me to read.

It has not been possible to have this Report translated in the time during which Count Bismarck was able to allow me to retain it, but a précis by Mr. Rodd, which I have the honour to inclose herewith, contains all its salient points.

Count Bismarck said that your Lordship was probably already in possession of Baron Blanc's Report on the subject.

I have, &c.
(Signed) EDWARD B. MALET.

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Inclosure in No. 8.

*Précis of Report by M. de Radowitz on French Influence in Financial Institutions in Constantinople.*

(Confidential.)

I CAN only confirm the assertion that has been put forward, that the influence of France preponderates in the more important financial institutions at Constantinople, and is employed there for political purposes.

The inclosure to this Report will prove the fact in points of detail, and testify to the accuracy of Baron Blanc's Report. French capitalists have in recent times displayed an increasing interest and activity in the commercial affairs of the East, which contrasts with the indifference and want of individual initiative on the part of English capitalists who formerly controlled the Eastern Money Market, and should do so still. No other foreign nations enter the field as rivals to France. The internal

* Also to Colonial Office.

† No. 4.



element, consisting of Armenians or Greeks, have long lost the considerable independent share of interests it once possessed, and is mostly engaged on petty business, working chiefly in the French interest.

France sends a numerous colony to Constantinople, and French has become almost entirely the business language.

The English appear to have renounced the part they once played, as they seem to have done in every other case in Turkey. English houses and financiers who are shareholders in the Ottoman Bank seem to be content to draw the dividends, and have abandoned to the more enterprizing French Directors the guidance of its affairs. I learnt from one of the leading employés that upon important questions instructions are asked for from Paris, and not from London.

The withdrawal of English capital and interest has not escaped the notice of Sir William White, who has discussed the matter without much result with Mr. Bruce, English Director of the Bank. Sir William said that English financial houses were so frightened at the corruption and feebleness of the Turkish administration, that it was impossible to secure their co-operation for the important railways projected in Asia Minor.

It is only natural that the political Representatives of France should take advantage of her preponderating financial interests, and, more especially since the advent of Comte de Montebello, there has been much co-operation on the part of the French Embassy with the French Representatives on the Ottoman Bank, the Dette Publique, the Régie, and the Board "du Raccordement des Chemins de Fer," with a visible tendency to support the aims of Russia. Baron Blanc in his Report repeatedly recurs to the joint action of France and Russia in financial questions: with this, however, one must take note of the fact that Russia has no financial interests of her own here. Even the question of the war indemnity and the arrears has only been used by her as a means of putting political pressure on the Porte. But Russian influence has always been working against any amelioration of Turkey's financial condition. The Ottoman Bank, the Régie, and the railway interest have always had to reckon with Russian opposition in the Palace. Now, however, without going so far as to say that Russia supports French financial enterprise, one may consider it proven that the influence of the French financiers leans to the Russian side in facilitating her political aims.

Baron Blanc in his Report suggests two possible ways of combatting the preponderance of France in the finances of the East: (1) By securing a compact majority among the Delegates of England, Austria, Italy, and Germany on the Board of Control of the "Dette Publique;" and (2) By establishing national branch Banks to compete effectually with the Ottoman Bank. I believe that both these schemes would be of practical utility.

If the Delegates of Germany, England, Austria, and Italy could be brought to work together in minor affairs, and keep in touch with their respective Embassies when more important matters came up, it would go far to paralyze the preponderance of France, and exercise a great influence on the Turkish Government, besides combatting the present indifference manifested by these gentlemen when personal questions interesting the State creditors, such as new railway Concessions or the creation of new sources of revenue, are discussed.

The question is, whether such an understanding between the Delegates and the Representatives of the different Powers is practicable. The recent difference between my English colleague and M. Caillard, who represents the English bondholders, is not encouraging, and Baron Blanc gathers, from a Report by Count Nigra at Vienna, that in Austria financiers are too dependent on French capital to be disposed to combat the interests of French capitalists in the East.

The second question, of establishing competition with the Ottoman Bank, has been frequently discussed and variously estimated. The present Minister of the Civil List, Apot Pasha, an Armenian, has expressed himself confidentially to me on the subject of the terrorism exercised by the Bank, from which he had to suffer during his term of office formerly as Minister of Finance. The Bank, he said, always found means to withdraw further and further from State control, while, when political complications arose, the Porte had nothing else to fall back upon, and was obliged to accept the terms of the Ottoman Bank unconditionally. He considers the chances of a Bank which should enter into competition with the Ottoman Bank as distinctly favourable; the difficulty would be to secure a Concession in the teeth of the opposition which the Ottoman Bank would display; but this could be overcome, and he himself would support the scheme with all the means at his disposal. He

recommends the establishment of "succursales" of great English or German houses, if possible with Italian and Austrian connection. This would not require a special Concession, and the rest might follow. They would, he believes, secure the bulk of private business, and also attract the credit of the Government. Consul-General Treskow, whom I have also consulted, finds a division of opinion on the subject. He has heard such a scheme supported in quarters well qualified to give an opinion, and considers that Germans now employed in the Ottoman Bank would be found ready and able to take the lead in such an enterprise. He favours a purely German branch bank of a great house rather than the notion of an Austro-Italian German coalition.

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*Précis of Inclosure to Report.*

The Ottoman Bank, founded during the Crimean War in 1856, with its seat in London, and a capital of 500,000*l*., was then a mere commercial Bank. A branch Bank was, however, soon started in Constantinople, followed by others in Smyrna, Beyrout, Bucharest, Galatz, and Salonica.

In 1863 the Bank came into closer relations with the Turkish Government. Its management was transferred to Constantinople, and its capital raised to 4,050,000*l*.

In 1875 the Imperial Ottoman Bank was created the State Bank of Turkey, with its seat in Constantinople.

Its rights and obligations are defined by the "Acte de Concession," the Regulations and Statutes issued in 1875. Under these, the Bank became Treasurer and Financial Agent of the Empire, receiving considerable financial advantages in return.

These provisions have only in part been made effectual by the Government; the branch Banks have, however, been used as the channel for transmission of revenue to Constantinople.

The raising of its capital to 10,000,000*l*. with 50 per cent. called up placed the Bank in a position to be able to make the Government important advances. The Bank, on the other hand, does not rigidly observe the Statutes. Instead of three "Administrators" (selected from local bankers or merchants) to sit on the Committee with four Directors (now actually only three), there is but one; Mr. Edwards, of Smyrna, taken over from the Austro-Ottoman Bank, now wound up, and his weak health has long prevented his taking any active part in the Councils. The Imperial Commissioner, Edhib Pasha, confines his attention to controlling the issue of Bank notes; and the office of Imperial Accountant (instituted by Article 3) has dropped out of existence.

The Bank has a monopoly of the issue of Bank notes, but as it always pays in gold and resumes its paper on demand, there are only 400,000*l*. worth of notes circulating.

The Bank shares are now at par, 10*l*. At the time of the San Stefano Treaty they went down to 3*l*. They have touched 26*l*.

Under present circumstances, the Bank controls—

1. Its numerous branch establishments throughout the Empire, which, unlike the principal house, do minor banking business on their own account, and exercise an important influence on local trade.

2. The important resources of capital which the Bank has at its disposal in consequence of its London and Paris connections. The Bank in Constantinople does little private banking business, and is almost exclusively a Government Bank; it advances subsidies, undertakes payments, discounts bills on the provincial exchequers, &c., but it utilizes the poverty of the Government to secure special advantages for itself. Last year, for instance, when the Minister of Finance urgently required £ T. 80,000 for the Bairam Festival, the Bank advanced the money on mining securities, but at the same time extracted a Concession for boracite works.

According to the Statutes, the Committee should consist of twenty-six members, ten in London, ten in Paris, and six in Austria; but already in 1880 the Austrian section had dropped out of existence.

Of the English Committee, the names of Mr. Bruce and Mr. Pascoe Grenfell carry weight, but the others have no connection with the great financial houses, while all the French members belong either to the higher aristocracy, or to the "haute finance." These two sections are by no means always in harmony. The French are active and speculative: the English prefer a quiet, steady business. A form of procedure exists, by which either section deals with the concerns in which the initiative was their own, and which they are supposed to be more competent to deal with.



Therefore, the lion's share falls to the French section. It is also said that of recent times the great majority of shares have come into French hands.

Of the Directors on the spot, Mr. Foster, Director-General, is an Englishman, M. Deveaux is a Frenchman, and Herr von Haas, Director "adjoint," is a German. The chief official, Mr. Smythe, who manages the current banking business, is an Englishman, and several of the next most important subordinate positions are held by Germans. Herr von Haas has organized the internal administration, as well as that of the provincial branches, and sits with Mr. Foster in the Board of Control of the Public Debt.

The larger undertakings are conducted by Mr. Foster and M. Deveaux. The former is a gentleman of 70, who feels his years, and cannot be looked on as having much influence beside the young, energetic, and ambitious representative of the French element, whose Chauvinistic national tendencies meet with little opposition.

The preponderance of his influence was revealed in the negotiations respecting the Link railways ("Anschluss-Bahnen"), where the representative from London, Mr. Waterfield, was in direct opposition to M. Berger, and the latter, having secured the support of M. Deveaux, was able to make his wishes prevail. The financing and the construction of the Turkish Link lines was made over to French Companies. The contractor appears to have made a good bargain; it is doubtful whether the railway Company have done so. Again, London offered no opposition, while Paris used every available pretext to oppose a project to raise a loan through German Banks to pay for the Mauser rifle last year. An example of the way the French party in the Bank use their influence politically, where they have an object to gain, or a personal motive (such as the French antipathy to Vizier Saïd Pasha), was the refusal to pay the salaries of the Turkish representatives abroad, and those of the special officials under Treaty privileges here; for this I have learned confidentially was the result of a hint from Paris. Again, recently, at the request of the Comte de Montebello, the Bank subsidized the "Moniteur Oriental," an organ known to be entirely in the pay of Russia.

M. Deveaux is one of the leading figures of the French Colony, and loses no opportunity on public occasions of posing at the French Embassy as "député de la nation."

2. *Other Banks.*

Other Banks are the branch Banks of the Crédit Lyonnais, doing minor banking business, and preferred to the Ottoman Bank by the general steady-going public.

The Société Générale de l'Empire Ottoman, a creation of the Ottoman Bank, having two members from the latter on its board. It was established to attract the Greek and Hebrew element, but does comparatively little business.

The Crédit Général Ottoman, chiefly supported by the non-French Catholic and Armenian community.

The Société Ottomane de Change et de Valeurs, doing a large business in exchanges, but having two-thirds of its capital in foreign stocks.

The Banque de Constantinople, representing the Hellenic element, and latterly much engaged in mining Concessions.

There are other smaller private Banks managed by Swiss, French, and Germans; but the wealthier Greek houses, such as Zarifi and Ralli, have of late withdrawn from Constantinople the bulk of their capital.

3. *Dette Publique.*

The Board of Control of the State Debt consists of an English, French, German, Austrian, and Italian member, with Hamdi Bey (son of the former Vizier and Ambassador Edhem Pasha) as representative of the Turkish bondholders. The seventh vote is that of Mr. Foster, representing the holders of preference shares. The Presidency alternates between the English and French members (these two countries hold more than half the bonds). The French influence makes itself felt here, however, from the close connection between the Board and the Ottoman Bank, and from the fact that one-third to one-half the obligations are held in France.

England holds scarcely half the shares held in France. The character of the French member, M. Aubert, however, is the main element of strength. This gentleman, no less than M. Deveaux, gives free rein to his national feeling, and opposes German interests wherever he is able. It was through his unremitting hostility that the tried

abilities of Dr. Schmidt, whose election as Director of the five indirect taxes M. Aubert strongly opposed, were transferred to Egypt, owing to his position being made untenable for him. M. Aubert is in close relations with the French Embassy, and has given several proofs of his readiness to follow its *mot d'ordre*. He is also President of the Junction Lines Board, and in this capacity takes every opportunity of placing difficulties in the way of the Bulgarians, and thus serving the interests of Russia. On this board M. Aubert has a zealous lieutenant in the person of M. Caporal, the Secretary-General, who represents the Russian interest, and may be considered a simple Agent of the Russian Embassy.

The present Director of the five taxes above referred to is Salim Effendi, a Syrian Catholic, and as such under French protection. He is described in Baron Blanc's Report as a "Russian Stipendiary."

*4. The Tobacco Régie.*

The Tobacco Régie, which at the outset depended largely on German support, has latterly fallen entirely under the influence of MM. Deveaux and Amboyneau, and acquired the character of a local French enterprise. M. Deveaux is President, with three votes. M. Forni (an Austrian, sitting for Bruce of the Ottoman Bank, since no one can undertake more than two representations) has one vote; Herr von Bleichröder, represented by Herr Gotscher, two votes. The Credit Department (Credit-Anstalt) has also two. The ninth vote is that of the founder, M. Leonidas Baltazzi. French and non-French elements would appear thus to be pretty well balanced, but the scale is frequently turned in favour of the French view by M. Baltazzi, who is more or less dependent on the Ottoman Bank.

M. Amboyneau, the General Director, is a naturalized American, but French by birth and education, and it is this gentleman who controls the composition of the "personnel."

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No. 9.

*Colonial Office to Foreign Office.—(Received April 24.)*

Sir, *Downing Street, April 24, 1888.*

I AM directed by Lord Knutsford to acknowledge the receipt of your letter of the 28th March, inclosing a note and Memorandum received from the Turkish Ambassador relative to the amount of the Cyprus tribute; and I am to acquaint you that his Lordship is in consultation with the Lords Commissioners of the Treasury on the subject, and that when their reply is received a further communication will be addressed to you.

I am, &c.
(Signed) R. H. MEADE.

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No. 10.

*Mr. Caillard to Foreign Office.—(Received May 2.)*

My dear Sir Julian Pauncefote, *Constantinople, April 17, 1888.*

IN a note relative to Cyprus, transmitted by Rustem Pasha to Lord Salisbury on the 19th March of this year, occurs the following passage:—

"D'autre part, en ce qui touche le produit des salines, le Gouvernement Impérial accepte également la proposition du Gouvernement de Sa Majesté Britannique, consistant à faire remettre à l'Administration de la Dette Publique Ottomane contre paiement seulement du prix d'extraction, tout le sel provenant des dites salines, après déduction de la quantité nécessaire à la consommation locale."

Since this proposal is identical with one which I suggested to you by note and letter of the 18th May, 1886, I venture to assume that you were so kind as to induce Her Majesty's Government to act upon that suggestion, and I hope you will allow me to thank you very sincerely, both on my own behalf and on that of the Council of the Public Debt.

I wish now to make another suggestion, viz., that, if Her Majesty's Government



see no objection, this particular point as to the Cyprus salt should be dealt with singly, and apart from the other points now forming the subject of negotiations between Her Majesty's Government and the Porte. My object is, of course, that the arrangement proposed by the former and accepted by the latter should come into force immediately, since it is one considerably affecting our salt revenue, whereas, seeing the way in which negotiations with the Porte are usually and inevitably protracted, if we have to wait until all the points are settled, we may have to wait another two or three years.

I should, therefore, be extremely obliged if you would be kind enough to let me know whether Her Majesty's Government would, without further delay, send instructions to the Governor of Cyprus to deliver over to our accredited Agents, against payment of the cost of extraction, all salt not required for consumption in the island, and in that case would have me informed at what date we may commence to send our ships for taking the salt away.

An immediate decision on the part of Her Majesty's Government in our favour in regard to this suggestion would save our Administration a loss of several thousand pounds this year, and in all ensuing years. Hoping that you will pardon my again writing to you directly on this subject, I am, &c.

(Signed) VINCENT CAILLARD.

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No. 11.

*Foreign Office to Colonial Office.*

Sir, *Foreign Office, May 10, 1888.*

WITH reference to your letter of the 30th April, 1883, on the subject of the salt to which the Turkish Government is entitled as part of the surplus revenue of Cyprus, I am directed by the Marquis of Salisbury to transmit to you a copy of a letter from Mr. V. Caillard, the English Member on the Council of the Ottoman Public Debt,* under whose administration the salt revenue of the Turkish Empire is placed, inquiring whether Her Majesty's Government would agree to hand over at once to the accredited Agents of the Council, against payment of the cost of extraction, all salt not required for consumption in the island.

I am to inquire whether the Secretary of State for the Colonies would be prepared to deal at once with this portion of the Turkish note respecting the Cyprus surplus revenue, of which a copy was forwarded to you in my letter of the 28th March, leaving for subsequent discussion the other questions which are treated of in that note.

In your letter above referred to, it was stated that the stock of salt then in the hands of the Cyprus Government was below the total of arrears due to the Turkish Government, and that if the Porte were to demand it, it would be necessary to raise an additional quantity during the ensuing season; but no recent information appears to have been communicated to this Department with regard to the stock now available.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

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No. 12.

*M. Catalani to Foreign Office.—(Received May 18.)*

(Très Confidentielle.)
Cher Sir Julian, *Londres, le 16 Mai, 1888.*

JE reçois l'instruction de mon Gouvernement d'appeler de nouveau l'attention du Marquis de Salisbury sur le monopole financier qui serait exercé en Turquie par des capitalistes Français. Le Gouvernement du Roi, d'accord avec le Gouvernement de Berlin, désirerait réagir contre cet état de choses, mais dans ce cas, il lui serait indispensable d'être appuyé par l'Angleterre, qui est la Puissance la plus intéressée.

J'ai par conséquent l'honneur de m'adresser à votre obligeance accoutumée, en vous priant de me faire savoir si le Marquis de Salisbury croirait que le moment soit opportun

* No. 10.

de donner des instructions à Sir W. White de trouver, d'accord avec ses collègues, quelque moyen pratique pour contrecarrer les agissements des capitalistes susmentionnés.

Veuillez, &c.

(Signé) T. CATALANI.

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No. 13.

*Foreign Office to M. Catalani.*

(Very Confidential.)

*Foreign Office, June 2, 1888.*

Dear M. Catalani,

I HAVE shown to Lord Salisbury your letter of the 16th May on the subject of the steps which your Government and that of Germany are desirous of taking to put an end to the predominant position at present held by French financiers at Constantinople.

Lord Salisbury fears that the Government here can do little to influence British capitalists in such matters, but he will be happy to instruct Sir W. White to confer with his Italian and German colleagues on the whole subject, and to consider any measures they may advise for the object in view.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

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No. 14.

*The Marquis of Salisbury to Sir W. White.*

(No. 80. Very Confidential.)

(Telegraphic.)

*Foreign Office, June 2, 1888, 2 P.M.*

ITALIAN Chargé d'Affaires has asked that you may be instructed to confer with your Italian and German colleagues as to the means of putting an end to the monopoly at present enjoyed by French capitalists at Constantinople.

I have said that we have but little means of influencing British capitalists, but that I shall be happy to instruct you to confer as desired, and to consider any measures that may be advised.

Prince Bismarck takes considerable interest in the question.

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No. 15.

*Sir W. White to the Marquis of Salisbury.—(Received June 3, 5 P.M.)*

(No. 52. Confidential.)

(Telegraphic.)

*Constantinople, June 3, 1888, 1·35 P.M.*

RUSSIAN war indemnity.

Russian Ambassador has presented a note to the Porte strongly complaining that Turkey does not carry out its obligations under the Convention concluded on 14th May, 1882, and stated that it would be justified in withdrawing from that Convention, but it will be content with proper guarantees for the future, and it asks to participate in the present administration of certain revenues assigned to the bondholders in which Russia has hitherto had no representation.

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No. 16.

*Colonial Office to Foreign Office.—(Received June 4.)*

*Downing Street, June 4, 1888.*

Sir,

I HAVE laid before Lord Knutsford your letter of the 10th ultimo, inclosing one from Mr. Vincent Caillard on the subject of the portion of the Cyprus tribute payable in salt in kind.

Mr. Caillard quotes a passage from the note of the Turkish Ambassador of the 19th March as embodying the understanding between the British and Turkish Governments on the subject. But that Memorandum appears to contain at least one inaccuracy, although not of a kind which need be regarded as material, or as placing



any obstacle in the progress of the present negotiations. The offer made by the British Government was to pay in each year to the Turkish Government direct a definite quantity of salt, viz., 5,208 tons, and not an indefinite surplus after providing for local consumption. There is, in fact, not necessarily any surplus in any particular year. The Turkish Government having never expressed, in any year, a desire to take the annual tribute of salt, and having, up to the present, failed to answer all inquiries as to its intentions on the subject, year after year has gone by without the salt lakes being worked, the amount in store being sufficient for local uses. Lord Knutsford is quite willing to direct the delivery at Larnaka of a quantity not exceeding 5,208 tons to the administration of the Ottoman Debt during the present year against payment of the actual cost of raising it, which is trifling, amounting to a few shillings a ton. His Lordship is not aware whether there is a sufficient amount in store at present out of which to provide this quantity of 5,208 tons. If there is not, delivery cannot be completed until some time in September, as the season for collecting salt does not begin until the end of August. He has telegraphed for further information on this and other points to the High Commissioner, and when his reply is received, a further communication will be addressed to you.

His Lordship assumes that Rustem Pasha's note of the 19th March may be taken to imply that a payment to the Administration of the Ottoman Debt will be regarded by the Turkish Government as equivalent to a payment to itself.

I am, &c.

(Signed) JOHN BRAMSTON.

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No. 17.

*Colonial Office to Foreign Office.—(Received June 6.)*

*Downing Street, June 6, 1888.*

Sir,

WITH reference to the letter from this Department of the 4th instant, on the subject of the portion of the Cyprus tribute payable in kind, I am directed by Lord Knutsford to inform you that he has received a telegram from the High Commissioner of Cyprus stating that the amount of salt in store is not sufficient to provide the 5,208 tons which it has been agreed should be delivered at Larnaka to the Representatives of the Ottoman Debt Administration, but that the requisite quantity can be raised in August and delivered in September. I am to suggest that this information should be communicated to Mr. Caillard, and that he should be invited to place himself in direct communication with the High Commissioner of Cyprus as to the further details of the arrangements to be made for the present year.

Mr. Caillard should also be given distinctly to understand that the salt when delivered to him at Larnaka must be exported from the island as soon as possible, and that no portion of it can be disposed of to local dealers for re-sale in the island itself.

As the present operation must be regarded from the point of view of the Ottoman Debt Administration as an experiment, it occurs to Lord Knutsford that Mr. Caillard may not think it expedient to ship such a large amount as the full annual tribute of 5,208 tons, and if this is so, it would be convenient if he would intimate to Sir Henry Bulwer what is the exact amount he desires to export from the island during the year.

With regard to the repayment of the cost of extraction, Lord Knutsford believes that the High Commissioner will be in a position to inform Mr. Caillard before or at the time of delivery what is the amount of the expenses claimable by the Cyprus Government.

Lord Salisbury will no doubt acquaint the Turkish Government with the arrangements which have been made with Mr. Caillard, intimating that the delivery of the salt to the Ottoman Debt Administration is regarded as a satisfaction of the claim of Turkey.

I am, &c.

(Signed) R. H. MEADE.

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No. 18.

*The Marquis of Salisbury to Sir E. Malet.*

(No. 150.) *Foreign Office, June 12, 1888.*

Sir,

THE German Ambassador informed me to-day of the text of M. de Nélidoff's message to the Porte with reference to the Russian war indemnity. It was very peremptory in its terms, and stated that unless the Porte carried out the promise of payment which it had solemnly made in 1882, Russia would seek other means of securing her rights in this respect. The object in view apparently was to prevent the Porte from contracting any new loan, or assigning any unappropriated revenues for the payment of it. But the German Ambassador added that M. de Nélidoff was so much in the habit of acting on his own initiative that it would be unsafe to conclude from the terms of this note anything with respect to the dispositions of the Imperial Court.

I am, &c.

(Signed) SALISBURY.

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No. 19.

*Foreign Office to Mr. Caillard.*

(Confidential.) *Foreign Office, June 12, 1888.*

Dear Mr. Caillard,

WITH reference to your letter of the 17th April last on the subject of the produce of the Cyprus salines, I am directed by the Marquis of Salisbury to transmit to you herewith a copy of a letter from the Colonial Office,* explaining the conditions upon which the Secretary of State for the Colonies will be prepared to direct the delivery at Larnaka of a quantity of salt not exceeding 5,208 tons to the Administration of the Ottoman Debt during the present year.

I am to inquire whether you would wish the proposals contained in the Colonial Office letter to be made officially to the Turkish Ambassador at this Court.

A copy of a further letter from the Colonial Office is inclosed,† suggesting that you should place yourself in direct communication with the High Commissioner of Cyprus as to the details of the arrangements to be made for the present year; but I am to request that you will not take any action in the matter until Her Majesty's Government have communicated officially with the Turkish Ambassador, which they will be prepared to do immediately on the receipt of your reply to this letter.

I am, &c.

(Signed) P. CURRIE.

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No. 20.

*Sir W. White to the Marquis of Salisbury.—(Received June 16.)*

(No. 226. Confidential.) *Therapia, June 4, 1888.*

My Lord,

I HAVE the honour to forward to your Lordship the accompanying copy of the note addressed by the Russian Ambassador on the 29th ultimo to the Sublime Porte, on the subject of the arrears which are accumulating, owing to the irregularity with which the Ottoman Government pays the sums due for the war indemnity under the Convention dated the 14th May, 1882.

I had the honour to forward by telegram yesterday the substance of this information, which I obtained in a strictly confidential manner.

I have, &c.

(Signed) W. A. WHITE.

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* No. 16.

† No. 17.



Inclosure in No. 20.

*Précis of a Note addressed by the Russian Ambassador to Saïd Pasha, le 17 (29) Mai, 1888.*

LA note commence par rappeler que malgré les assurances données au sujet de l'indemnité cette année-ci, on n'a versé que des sommes peu importantes sur les revenus affectés à ce paiement et que la nouvelle année s'annonce mal.

Elle continue ensuite dans ces termes:—

"Votre Excellence comprendra que le Gouvernement Impérial ne saurait tolérer davantage une situation pareille et un manquement aussi complet de la part de la Sublime Porte à des engagements solennellement contractés.

"Il pourrait donc se demander s'il n'y avait pas lieu pour lui de considérer l'arrangement contracté en 1882 comme nul de fait et rechercher dès lors de son côté d'autres moyens propres pour récupérer les sommes qui lui sont dues. Mais avant de recommander au Cabinet Impérial, qui me demande de lui indiquer un remède à la situation, le recours à ce moyen extrême, je crois devoir rappeler encore une fois à la Sublime Porte les engagements qui résultent pour elle de la Convention du 2 (14) Mai, 1882. L'Article V stipule qu'en cas d'insuffisance des revenus affectés, le Gouvernement Ottoman s'engage de désigner à la Banque Ottomane, agissant comme Délégué du Gouvernement Russe, des ressources supplémentaires. Or, une pratique de cinq années semble avoir suffisamment démontré soit que les ressources indiquées dans la Convention se trouvent être insuffisantes, soit que leur rendement réel est, contrairement aux engagements contractés, détourné arbitrairement pour d'autres besoins et exige par conséquent l'établissement d'un contrôle officiel ou d'une participation directe de notre part à leur perception, à l'instar de ce qui a été admis pour les revenus concédés aux 'bondholders' à l'avantage exclusif de ces derniers.

"D'un autre côté, un déficit accumulé de £ T. 615,000 se trouve déjà à la charge du Gouvernement Ottoman pour les cinq années écoulées.

"Prenant en considération que la Sublime Porte est en train de négocier des emprunts en offrant comme garantie certains revenus libres et qu'au Congrès de Berlin le droit des 'bondholders' seul a été reconnu comme ayant la priorité sur celui de la créance Russe, je viens demander à votre Excellence qu'avant tout nouvel emprunt les ressources disponibles du Trésor Ottoman soient affectées à assurer le service régulier de l'indemnité Russe et le paiement intégral du déficit accumulé.

"J'aime à espérer que la Sublime Porte se pénétrant des devoirs qui lui incombent, s'empressera de faire droit à une demande dont elle reconnaîtra, je n'en doute pas, l'absolue justice, sans que l'Ambassade Impériale soit obligé de donner à cette demande une publicité qui pourrait devenir embarrassante pour les intérêts financiers de la Turquie.

"En priant votre Excellence de ne point tarder à me donner une réponse à cette communication, j'ai, &c.

(Signé) "NÉLIDOW."

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No. 21.

*Mr. Caillard to Foreign Office.—(Received June 27.)*

Dear Sir Philip Currie, *Constantinople, June 21, 1888.*

I BEG to acknowledge and thank you for your letter of the 12th instant, inclosing one letter, dated the 4th June, and a second, dated the 6th June, from the Colonial Office, concerning the produce of the "salines" of Cyprus. As the information contained in these letters differs considerably from that which has been in my hands up to the present moment, and upon which my previous suggestions have been made, I venture to delay answering in detail until I have been able to obtain the fresh Reports upon the matter which I have immediately ordered to be made. I am also unable, until I have received these Reports, to say whether I should answer affirmatively to your inquiry whether I should wish the proposals contained in the Colonial Office letter to be made officially to the Turkish Ambassador at Her Majesty's Court.

But I desire at once to remove a misunderstanding which appears to have arisen. As explained in a Memorandum inclosed in a letter from me to Sir Julian Pauncefote, dated the 18th May, 1886, my object in wishing to obtain the excess of salt produced in the Island of Cyprus over that required for the interior consumption of the island

is to prevent such salt being exported to the coasts of Karamania and Syria and there sold in contraband. The Public Debt Administration does not, as a matter of fact, require for consumption in Turkey more salt than that produced in the various salt works of the Turkish Empire. Therefore, if the Government of Cyprus could limit the quantity of salt extracted in the island to that required for interior consumption only, and thus effectually prevent all exportation, that is what would best meet my views.

The information hitherto at my disposal describes the Cyprus salines as being "salines naturelles," that is to say, that the salt forms naturally in them each summer without any artificial aid. I am further told that the salt thus formed largely exceeds the quantity necessary for the interior consumption of the island, and that it is this excess on which an extensive contraband salt trade thrives on the coasts of Syria and Karamania. I gather from the letters from the Colonial Office, copies of which you have been so kind as to forward to me, that this information is not quite accurate. It is on these points that I have directed fresh Reports to be made with such means as are at our disposal; but it would be much more satisfactory if I might write privately direct to the High Commissioner to beg him to inform me what is the real state of the case in regard to the "salines naturelles" which are said to exist in Cyprus, and upon his answer I could immediately reply to your letter of the 12th June. It would much oblige me if you would be kind enough to telegraph whether there is any objection to my doing this, as the season is advanced, and, seeing the last paragraph of your letter, I do not like to put myself in any way in communication on this matter with Sir Henry Bulwer before again hearing from you.

I am, &c.
(Signed) VINCENT CAILLARD.

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No. 22.

*Sir E. Malet to the Marquis of Salisbury.—(Received July 2.)*

(No. 180. Confidential.)

*Berlin, June 29, 1888.*

My Lord,

WITH reference to my despatch No. 103, Confidential, of the 7th April, I have the honour to transmit herewith a copy of a Report by Baron Blanc, Italian Ambassador at Constantinople, upon the means of counteracting the French preponderance in financial institutions in Turkey, together with a précis of remarks upon it by Dr. Busch, German Minister at Constantinople.

Count Bismarck, in communicating to me these documents for perusal, said that he attached much importance to the subject, but that he thought that England must take the lead, as its interests were greater, and it would be more easy to find the starting-point there on account of the vastly superior wealth of its capitalists.

If, however, it should be found practicable to get any of them to found such a bank as suggested by Baron Blanc, he would do his best to obtain for it the assistance of German capitalists. He added that he decidedly approved of the view that the co-operation of the Delegates of Germany, England, Austria, and Italy, on the Council of the Public Debt would be useful, and he had already written to Dr. Busch to do what lay in his power to bring this about.

I have, &c.
(Signed) EDWARD B. MALET.

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Inclosure 1 in No. 22.

*Memorandum by Baron Blanc.*

ON considère comme établi qu'il est contraire aux intérêts des Puissances amies de laisser plus longtemps l'Empire Ottoman aux mains d'un monopole financier appuyé sur de puissantes protections diplomatiques, et qui le ruine au profit de la spéculation Française pour le livrer sans défense, privé d'éléments de résistance et de vie propre, à la politique Russe, monopole représenté par la Banque Ottomane, laquelle est assistée dans cette œuvre néfaste par la représentation des "bondholders," telle que celle-ci fonctionne actuellement.

On regarde également comme un fait acquis, que l'Empire Ottoman, impuissant à payer son armement, à solder ses officiers nationaux et étrangers, et à s'affranchir



de l'indemnité due à la Russie, exproprié peu à peu de ses ressources naturelles, voies de communication, &c., et entretenu par des expédients usuraires, dans une croissante difficulté de vivre, n'est guère plus qu'un État en faillite effective et dépendant pour son existence au jour le jour, des combinasons Franco-Russes.

Une réaction visible se produit dans le monde Turc contre la Banque Ottomane, instrument de ces combinaisons, et le moment serait favorable pour opposer au monopole de cette banque un élément financier indépendant sur lequel s'appuieraient les interêts des pays amis et de la Turquie elle-même.

Il faudrait pour cela trouver en Allemagne et en Angleterre des banques disposées à former avec une banque Italienne de premier ordre, telle que la Banque Nationale, un *consortium* indépendant de toute attache présente ou future envers la Banque Ottomane et envers la spéculation Franco-Levantine.

Le *consortium* serait représenté à Constantinople par un établissement financier qui n'aurait pas besoin d'un capital considérable pour commencer à faire les opérations les plus correctes et les plus sûres de banque—commission, escompte, &c.—entre la Turquie et les pays amis.

Le *consortium* représenté par cette banque obtiendrait, avec l'appui, que de raison, des Ambassades respectives, les Concessions non encore engagées dans la Turquie d'Europe, ainsi que celles des chemins de fer de l'Asie-Mineure, d'exploitations industrielles, mines, ports, quais, et autres travaux publics.

Le *consortium* enlèverait au monopole existant les clefs de l'Asie-Mineure et prendrait l'avantage sur lui dans la vie économique du reste de l'Empire, s'il disposait tout d'abord d'environ 500,000 livres Turques pour acheter la ligne de Haidar-Pacha-Ismid, et 2,500,000 livres Turques pour obtenir la Concession et exécuter la construction de la ligne d'Ismid à Angora; surtout s'il y ajoutait 500,000 livres Turques pour payer les arriérés de l'indemnité de guerre Russe. Quant à un emprunt destinée à satisfaire aux dépenses d'armement déjà engagés et aux autres dettes liquides et reconnues du Trésor Ottoman envers les nationaux des pays amis, le *consortium* aurait d'autant plus de marge pour en faire un à des conditions avantageuses et en même temps plus modérées que celles du monopole Français, que celui-ci dans son dernier projet d'emprunt, tout en prenant des sûretés réelles, aurait fait payer à la Turquie 265,000 livres Turques par an pour 900,000 livres Turques seulement touchées effectivement par le Trésor. On trouverait sans doute le moyen de concilier avec les intérêts du *consortium* ceux de la maison Bleichröder et de la Crédit-Anstalt, lesquelles, intéressées chacune pour 250,000 livres Turques dans la Régie, et ayant pour représentants les Délégués Allemands et Autrichiens dans le Conseil de la Dette Publique Ottomane, ont été associées jusqu'ici au monopole Français, secondé par la force des choses, par les dits Délégués et par celui des "bondholders" Anglais, Belges, et Hollandais.

L'intérêt des créanciers de la Turquie représentés dans le Conseil de la Dette devenant dès lors solidaire du nouveau *consortium* qui développerait les ressources de l'Empire, et non plus de monopole qui spéculait sur sa ruine, les représentants des "bondholders" Allemands, Anglais, Italiens, et Autrichiens, seraient amenés tout naturellement à former dans le Conseil de la Dette une majorité compacte, au lieu du dualisme constitué aujourd'hui par l'alternat de la présidence Anglaise et Française, dualisme que l'Angleterre jugera sans doute de son intérêt d'abandonner ici comme en Égypte, car pour n'avoir apparemment ici qu'un caractère privé, il n'en sert pas moins avec l'efficacité la plus regrettable les combinaisons politiques Franco-Russes.

Le *consortium* trouverait ainsi dans le Conseil de la Dette une force et une sûreté d'autant plus précieuse, que le Gouvernement Ottoman appelle de plus en plus l'Administration de la Dette Publique à la perception des revenus publics destinés à la garantie des engagements financiers de l'Empire. Autant en effet il est regrettable que les délégués de nos "bondholders" se prêtent au moins passivement dans ce Conseil aux nouvelles entreprises du monopole Français, autant il sera avantageux pour les intérêts communs et pour ceux du *consortium* projeté, que celui-ci trouve en eux des alliés naturels à la satisfaction non douteuse du Gouvernement Ottoman lui-même.

*Constantinople, le 10 Juin*, 1888.

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Inclosure 2 in No. 22.

*Précis of Remarks by Dr. Busch on French Preponderance in Financial Institutions in Turkey, reviewing Propositions of Baron Blanc's in Memorandum inclosed.*

THE Italian Ambassador has invited me, as well as Sir William White, to an exchange of opinion as to the best means of combatting the ever-increasing prepon-

derance of France in financial institutions here. I declared myself ready to discuss the points raised by him, and Sir William White has similarly undertaken to give them a thorough examination.

Baron Blanc has detailed his views in the inclosed Memorandum. They amount to very much what was communicated to Berlin by the Italian Government (16th January last), and point to the following conclusions:—

That French influence is at the present moment in preponderance in the leading financial institutions at Constantinople;

That it continues to spread and to look for new fields of exploitation;

That France is now working to obtain the Concession for the important railway system of Anatolia;

That the influence of French finance plays into the hands of France and Russia politically and *vice versâ*;

That, lastly, in consequence of this, there is a danger that all the material sources of revenue in Turkey will pass into French and Russian hands, and the Empire will, like Egypt, be entirely dependent on its Franco-Russian creditors.

Baron Blanc suggests two methods of combatting this danger: one, the foundation of an Anglo-German-Italian Banking Association (*consortium*) at Constantinople; the second, a concerted understanding between the German, English, Italian, and Austrian Delegates on the Council of the Ottoman Debt. The Italian Ambassador is of opinion that an associated bank of the above character, quite independent of French capital, would find a profitable field here, would be appreciated by the Turks as competing with the French monopoly, and would find no difficulty in obtaining important Concessions.

I can confirm Baron Blanc's remarks as to the preponderance of French influence in financial institutions here; but my personal observations as to the causes and direction of this preponderance are limited to too short a period to enable me to add anything on this point to Herr von Radowitz's Report of the 16th February. The Italian Ambassador would, however, appear to be going too far in assuming that all French financial undertakings are assured of Russian support *ab initio*, and that there actually exists already a Franco-Russian financial coalition. There is no such general understanding between France and Russia, although they may have, in individual cases, played into one another's hands. Sir William White, who follows any symptoms of such a combination with the keenest attention, is also of opinion that Baron Blanc's presumptions in this respect are exaggerated.

I now come to the means suggested by Italy to combat the financial preponderance of France. I consider it probable that German, English, and Italian branch banks, either separately or united in an Association, would be systematically received by the Turks, and might compete successfully with the French Ottoman Bank. German capitalists especially would be certain of a good reception here. I was recently assured that the Sultan was more likely to offer the Concession of the Anatolian railways, which the Italian Ambassador is so afraid will be secured by the French, to a German than to a French or an English Company, since he has no apprehensions of German political schemes in Asia Minor. The question is, however, rather, whether German bankers can be induced to take up such an enterprize, and whether one can count upon German financiers who are and are prepared to remain independent of French capitalists, for only such would be able to carry out the idea. And this is a question which I cannot answer from here.

The second proposition seems, perhaps, more easy to give effect to, namely, the creation of a majority among the Delegates of Germany, England, Austria, and Italy on the Council of the Public Debt. It would be supposed that these Delegates would place themselves, in relation with the Embassies of the countries they represent, in all questions affecting the financial position of Turkey; but such ideas have met with little recognition in London and Vienna. It would seem very doubtful whether the sanguine anticipations which Baron Blanc bases on a concerted action between the Banking Association which he proposes and the Bondholders' Committee would ever be realized, for, should the Porte discover that the latter were being developed into a sort of International Financial Committee, it would take particular care in no way to extend their competency, or to take their advice in general financial questions.

Finally, I may remark that Sir William White agrees in the main with my verdict on the Italian proposals. He fully appreciates their utility, but considers it would be very difficult, after their unfortunate experiences in the East, to induce English capitalists to take up the scheme, and doubts the possibility of finding capitalists who would be entirely independent of French capital, which he also holds to



be the first condition of their being able to compete with the preponderance of France. Sir William White considers it most desirable politically that the German, English, Austrian, and Italian Delegates on the Council of the Ottoman Debt should draw closer together, and hopes the attention drawn to this by Italy may convince his Government of its utility. The English Delegate and Sir William White, however, hold no communication with one another, because the former has declined to accept the Ambassador's suggestions on political questions.

(Signed) BUSCH.

*Therapia, June* 11, 1888.

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No. 23.

*Colonial Office to Foreign Office.—(Received July 4.)*

Sir, *Downing Street, July 4*, 1888.

I HAVE laid before Lord Knutsford your letter of the 28th ultimo, inclosing one from Mr. Caillard explaining his views and intentions in regard to his application to be supplied with salt by the Government of Cyprus.

It appears that the attention of Sir Henry Bulwer was directed some time ago to Mr. Caillard's apprehensions as to the existence of an illicit trade in salt from Cyprus, and I am to inclose an extract from a despatch written by him upon the subject. I am also to state that, so far from there being at present a supply of salt in Cyprus which could be used for illicit export, the Cyprus Government has just reported that the stock is very small, and that if Mr. Caillard is to be supplied with 5,208 tons this year, it must be raised specially for him.

As Mr. Caillard does not want the salt for sale or use himself, it will be for him to consider whether it would not be better that his demand should be waived, at all events for the present year.

With regard to the position of the Cyprus Government in regard to the salt trade, I am to explain that its sales have hitherto been almost wholly for internal consumption; but that, whilst it would always do its utmost to prevent Cyprus being made the basis of an illicit salt trade with the Turkish dominions, it does not consider itself absolutely precluded from selling salt for export to distant countries such as India, provided it is sold in such quantities, to such parties, and subject to such conditions as will preclude its being passed into Turkey as a smuggled article.

A copy of this letter will be communicated to the High Commissioner of Cyprus, and it is suggested that it should also, at Lord Salisbury's early convenience, be communicated to Mr. Caillard.

I am, &c.
(Signed) R. H. MEADE.

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Inclosure in No. 23.

*Governor Sir H. Bulwer to Sir H. Holland.*

(Extract.) *Nicosia, August* 6, 1887.

A PARAGRAPH appeared in an English newspaper in the month of June last year (1886), in which, in a communication from Constantinople, dated the 19th May, it was stated that Mr. Caillard, the English member of the Council of Administration of the Turkish Debt, had on the preceding day sent a Memorandum to Her Majesty's Secretary of State for Foreign Affairs, calling attention to the clandestine exportation of salt from Cyprus to Syria, and also stating that the salt produced in this island over and above what is consumed here belongs to the Administration of the Debt, and that all salt exported from Cyprus comes under the head of contraband.

2. My attention was drawn to this paragraph at the time it appeared, but as it seemed to me that if any representation, such as was reported in it, had been made to Her Majesty's Government respecting the alleged clandestine trade in Cyprus salt, we should no doubt in due time receive a communication on the subject, which would enable us to give a reply to the allegation reported to have been made by Mr. Caillard, I thought it unnecessary to take any action till then.

3. As no such communication has been received by us since that time, I do not doubt that the statement made in the paper regarding Mr. Caillard's proceeding was

made without authority; but as there is reason to believe that a clandestine trade in salt has sometimes been carried on with the coast of Syria, it may be convenient that I should take an opportunity of stating that certainly for the past four years no such trade has been carried on from this island, and that this Government has, on the contrary, discouraged more than one proposal made for an exportation of salt where there was cause to think the salt might find its way to the opposite coast.

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## No. 24.

*Rustem Pasha to the Marquis of Salisbury.—(Received July 7.)*

M. le Marquis, *Ambassade Impériale de Turquie, le 7 Juillet*, 1888.

EN date du 19 Mars de l'année courante, j'ai eu l'honneur d'adresser à votre Seigneurie une note accompagnant un Mémorandum relatif à l'excédent des revenus de l'Ile de Chypre. Depuis lors, la Sublime Porte m'a transmis un Mémoire émanant du Ministère Impérial des Finances qui contient un exposé exact et complet de la question. Bien que ce Mémoire soit conforme en substance à celui que j'ai précédemment communiqué à votre Seigneurie, il renferme néanmoins des indications supplémentaires qui jettent plus de clarté sur quelques-uns des points en discussion; et, à ce titre, je me fais un devoir d'en remettre ci-joint une copie à votre Seigneurie.

En attendant qu'une entente définitive ait pu s'établir entre les deux Gouvernements sur les quelques points qui ne sont pas encore réglés, je suis chargé par le Gouvernement Impérial de prier votre Seigneurie de vouloir bien faire prendre des mesures pour que la somme déjà consentie par le Gouvernement de Sa Majesté Britannique soit mise à la disposition du Gouvernement Impérial, sous réserve des points encore en litige, qui continuent à être traités entre les deux Gouvernements. J'espère que cette demande, que je prends la liberté de recommander à la sollicitude de votre Seigneurie, sera de sa part l'objet d'une amicale et bienveillante attention.

J'ai, &c.

(Signé) RUSTEM.

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### Inclosure in No. 24.

*Observations sur le Mémorandum concernant l'excédent des Revenus de Chypre.*

DANS le Mémorandum dressé par le Gouvernement de Sa Majesté Britannique, les revenus bruts de l'Ile de Chypre pour les cinq années 1873–1877 (1289–1293) sont arrêtés à 83,857,528 piastres, non compris les recettes provenant du monopole du sel. De cette somme il a été déduit 19,372,573 piastres représentant les frais généraux d'administration et certaines taxes qui n'auraient pas dû figurer dans l'évaluation de l'excédent, ce qui a donné pour les cinq années un revenu net total de 64,484,955 piastres, et une moyenne annuelle de 12,896,991 piastres.

De cette moyenne quinquennale le Gouvernement a voulu déduire :—

| | Pts. |
|---|---|
| 1. Montant des dépenses d'un corps d'artilleurs .. .. .. .. | 833,610* |
| 2. Moyenne des revenus territoriaux .. .. .. .. .. | 599,125 |
| 3. Frais de conversion du calmé .. .. .. .. .. | 957,146 |
| Total .. .. .. .. .. .. | 2,389,881 |

* Une erreur typographique a fait mettre 838,610 pts.

Le revenu net annuel serait ainsi abaissé à la somme de 10,507,110 piastres, laquelle somme convertie en livres Turques à raison de 108 p. 25 c. par livre, donnerait £ T. 97,063, qui constitueraient l'excédent à verser au Trésor Ottoman en vertu de la Convention du 4 Juin, 1878, et indépendamment d'une somme de 5,000*l.*, qui serait aussi payée annuellement au Gouvernement Ottoman, conformément à l'Arrangement du 3 Février, 1879.

Pour arrêter l'excédent des revenus de l'île, le Gouvernement Britannique a pris pour base les perceptions réelles sans vouloir faire une exception en faveur des impôts directs à assiette et à échéances fixes, et les créances résultant de contrats d'affermage qui sont toujours dus par les contribuables dont le produit peut se trouver plus ou moins en désaccord avec les prévisions budgétaires.

En ce qui concerne les recettes provenant du monopole du sel le Gouvernement



Britannique a proposé de faire remettre à l'Administration de la Dette Publique Ottoman le sel provenant des salines après déduction de la quantité nécessaire à la consommation locale.

En vue d'arriver à une prompte solution, le Gouvernement Impérial a accepté la proposition du Gouvernement Britannique concernant le sel. On voudra bien reconnaître qu'en agissant ainsi le Gouvernement Ottoman s'est imposé un sacrifice considérable qui peut se chiffrer annuellement par plusieurs milliers de livres; attendu que s'il ne pouvait réclamer 20 paras par chaque ocque de sel produit dans les salines de Chypre, aussi longtemps qu'il n'en autoriserait pas l'introduction en franchise dans les autres provinces de l'Empire, il avait le droit incontestable de faire figurer parmi les recettes de l'île "le prix de monopole de toutes les quantités consommées sur place."

Le Gouvernement Impérial veut bien accepter encore comme moyenne quinquennale des perceptions de l'île la somme de 12,896,991 piastres, indiquée dans le Mémorandum, ainsi que le taux de 108 p. 25 c. pour la conversion des piastres métalliques et livres Turques; et consens à déduire de cette moyenne la somme de 833,610 piastres constituant les dépenses d'un corps d'artilleurs indigènes, que le Colonel Biddulph persistait à considérer comme une force essentiellement locale licenciée immédiatement après l'occupation, quoique la Sublime Porte ait fourni la preuve que cette prétendue force locale n'était que le résultat du recrutement opéré en Chypre comme dans les autres parties de l'Empire et que, par conséquent, il n'y avait lieu de rien déduire de ce chef.

La Sublime Porte se croit en droit d'espérer qu'à la suite de ces concessions, le Gouvernement de Sa Majesté Britannique ne se refusera pas à rectifier les quelques erreurs et doubles emplois qui se sont glissés dans les calculs et déductions du Mémorandum, et que nous tâcherons d'exposer aussi brièvement que possible.

*Quart des Dîmes supplémentaires perçu en 1290–1291.*

Le Tableau (C) du Mémorandum énumère certaines taxes et autres recettes que l'on propose de déduire du montant des revenus de la période quinquennale 1289–1293 (1873–1877) sur laquelle la moyenne des revenus annuels de Chypre doit être calculée.

Sur ce Tableau (C) figure une somme de 4,341,714 piastres représentant le montant du quart de dîmes supplémentaire perçu durant les années 1290–1291. Le produit de ce quart de dîmes ne constituant pas un revenu permanent, le Gouvernement Britannique avait insisté pour qu'il ne figurât pas sur les comptes.

Or, ce produit a été porté dans le Mémorandum de deux façons différentes; car tandis qu'il figure sur le Tableau (C) (celui des sommes à déduire) pour 4,341,714 piastres, ce même part de dîmes n'est inscrit au Tableau (A) (celui des recettes) que pour 3,161,159 piastres. La raison de cette différence est que le premier chiffre est celui de la prévision budgétaire de ce que le quart des dîmes aurait dû produire; et le second chiffre celui de la somme qui a été réellement encaissée. Les Commissaires Ottomans et Anglais qui ont élaboré le bilan des revenus et des dépenses de l'île, ayant été d'accord pour baser leur calcul sur les recettes et les dépenses réellement effectuées, et non pas sur les prévisions budgétaires, on doit nécessairement appliquer ce principe au cas dont il s'agit; car il ne serait pas admissible que d'un côté dans le Tableau (A) des recettes générales on inscrivit le montant des encaissements effectués et de l'autre, dans le Tableau des réductions, le montant des prévisions budgétaires, qui est un chiffre approximatif.

En vue de rétablir l'équilibre, il faudrait donc majorer le compte des revenus de la différence existant entre les deux sommes. En prenant la moyenne quinquennale de cette différence, on trouve une somme de 236,111 piastres à ajouter à l'excédent des revenus de l'île, soit à 10,507,110 piastres qui a été indûment réduit de cette quantité.

*Revenus du Tapou.*

D'après la Convention du 4 Juin, 1878, le produit du revenu dit "tapou" ne devait pas être compris dans l'excédent des revenus de l'Ile de Chypre; aussi le Ministère Impérial des Finances s'était-il abstenu de le mettre en compte.

Ce revenu est indiqué cependant dans le Tableau (A) (Département des Finances) pour une somme de 1,995,265 piastres, formant une moyenne quinquennale de 399,053 piastres. D'autre part, le montant de ce revenu a été fixé par l'Arrangement postérieur du 3 Février, 1879, à 5,000*l.*, dont la contrevaleur en monnaie métallique

est de 599,125 piastres. Le Gouvernement Britannique, qui entend aussi verser séparément les 5,000*l.* et ne pas les comprendre dans le compte de l'excédent des revenus, propose, avec raison, de soustraire de ce compte les recettes du tapou; mais au lieu de la somme de 399,053 piastres il veut porter en déduction celle de 599,125 piastres, ce qui serait encore bien au-dessous de la moyenne qu'accuse le Tableau présenté par le Defterhané. Nous n'avons aucune objection à ce que le Gouvernement Britannique s'arrête aux 599,125 piastres ou à n'importe quelle autre somme plus élevée, comme produit réel du tapou, à condition que la même somme figure aussi parmi les recettes générales de l'île. Porter au Tableau (A) 399,053 piastres comme recettes du tapou, et vouloir ensuite défalquer 599,125 piastres, a pour effet de réduire indûment l'excédent net de l'île de la différence de ces deux chiffres, soit de 200,072 piastres, qu'il faudra également ajouter aux 10,507,110 piastres.

*Pensions, Intérêts, et Redevances (Bédélats).*

Le chapitre "Département des Finances," porté au Tableau (B), contient parmi ses items une somme de 559,787 piastres qui a été payée à Chypre durant l'espace de cinq années pour "Pensions, Intérêts, et Redevances." La Sublime Porte fait observer que cette dépense ne rentre pas dans la catégorie des frais administratifs particuliers à l'île de Chypre, et que son inscription au chapitre des frais permanents n'aurait pas dû avoir lieu. Les personnes qui jouissent de pensions à servir par le Trésor Impérial peuvent les toucher ailleurs tout aussi bien qu'à Chypre; ces pensions sont également payables dans toutes les localités où les titulaires peuvent résider d'une façon permanente ou temporaire.

Si quelques-uns des bénéficiaires veulent toucher leur pension à Chypre, ils doivent faire auprès du Ministère Impérial des Finances certaines démarches et ce Département donne à leurs instances le cours indiqué par les règlements ou les circonstances du cas. C'est ainsi que la Sublime Porte a écrit à l'Ambassade de Sa Majesté Britannique de vouloir bien faire payer les pensions de Moustapha Agha, de Salih Agha, et de Edib Effendi. En outre, il y a lieu de remarquer que lorsque ces pensions s'éteignent, le montant en fait retour au Trésor Impérial. Il conviendrait, par conséquent, d'éliminer cette somme du Tableau (B.) La moyenne quinquennale de ces 559,787 piastres forme une somme de 111,957 piastres dont il y a lieu de tenir compte.

*Emprunt forcé.*

De même le Gouvernement Impérial ne croit pas qu'il avait lieu de faire figurer au Tableau (C), parmi les réductions à apporter aux recettes générales, la somme de 379,578 piastres représentant le montant d'un emprunt forcé levé en 1877. Le Gouvernement de Sa Majesté Britannique se propose de rembourser les personnes qui ont participé à cet emprunt moyennant une annuité ne dépassant pas 56,969 piastres et s'étendant sur une période de onze à douze ans. Le Gouvernement Impérial veut bien tenir compte au Gouvernement de Sa Majesté Britannique des remboursements qu'il aurait effectués durant cette période; mais il est d'avis que cette opération ne doit pas influer sur la fixation de l'excédent annuel. Il propose donc d'éliminer la dite somme de 379,578 piastres du compte destiné à établir l'excédent des revenus. En en prenant, comme il a été fait plus haut pour les autres sommes, la moyenne quinquennale, on obtient une somme de 75,915 piastres.

*Caïmé.*

Le Gouvernement de Sa Majesté Britannique a porté en déduction de l'excédent des revenus quinquennaux, tel qu'il résulte des Tableaux (A), (B), et (C), une somme de 957,146 piastres, qui représenteraient la différence entre la valeur des monnaies métalliques et celle du caïmé qui avait été émis en 1870 (1292) et dont les contribuables avaient fait usage pour acquitter une partie des impôts des années 1292 et 1293. La circulation du caïmé à Chypre, ainsi que le constate d'ailleurs le Mémorandum Anglais, n'a eu lieu que vers la fin de l'année 1876; c'est-à-dire dans une saison où la taxe des moutons était entièrement rentrée, et les dîmes affermées par enchères publiques et en monnaie métallique. Les fermiers s'acquittèrent, il est vrai, en caïmé d'une partie de leurs engagements, mais leurs versements ne pouvaient donner un chiffre plus élevé que s'ils les avaient effectués en métallique. Le "verghi" et la contribution pour l'exonération du service militaire, qui étaient des impôts de répartition, devaient également fournir les mêmes sommes que s'il n'y avait pas eu de caïmé. Il en est de même de la taxe des moutons perçue en caïmé en 1877, taxe fixe par tête de bétail



qui n'avait pas été haussée à la suite de la dépréciation du papier-monnaie. Les dîmes seules en 1877 accusent une augmentation, parce qu'elles ont été vendues en caïmé. Elles ont produit plus de 11,000,000 piastres que les Commissaires Ottomans, d'accord avec le Colonel Biddulph, n'ont fait figurer que pour 5,039,766 piastres. Tout au plus on pourrait alléguer que les impôts sur les consommations ont dû s'accroître et les contribuables profiter d'un papier déprécié pour acquitter les arriérées des années antérieures; mais un examen du Tableau (A) montre clairement que tel n'a point été le cas, parce que au moment de la crise financière et militaire la consommation s'était resserrée et que les payements en caïmé était devenus pour le contribuable tout aussi difficiles que ceux en métallique d'avant la crise.

Si l'on compare la moyenne des recettes générales des deux années de caïmé (1876 et 1877), avec celle des trois années précédentes, défalcation faite du quart de dîme, qui était spécial à 1874 et 1875, on trouve que la première présente une moins-value de un million et demi.

Les effets produits par la dépréciation du caïmé durant la période de sa circulation n'ayant réellement affecté que le rendement des dîmes, et cela en 1877 seulement, la Sublime Porte est d'avis que la réduction proposée de ce chef dans le Mémorandum, lui porterait un préjudice qui n'est pas justifié par les faits et demande de faire disparaître cette réduction en rétablissant au compte de l'excédent des recettes la somme de 957,146*l.*

*Conversion du Métallique.*

Le Gouvernement Impérial croit devoir présenter une dernière observation relativement à la conversion en or du montant de l'excédent du revenu. Le Gouvernement de Sa Majesté Britannique a établi cette conversion sur la base de 108 piastres 10 paras la livre Turque. Sans objecter à l'adoption de ce taux, la Sublime Porte fait remarquer que le Gouvernement Anglais l'applique au chiffre total de l'excédent, tandis que une partie de cet excédent, c'est-à-dire le montant des dîmes de l'année 1877 (1293) ayant déjà été convertie et portée en compte en monnaie d'or, ne doit être assujettie à aucune réduction. Ce montant en or est de 5,039,766 piastres.

Par un *lapsus calami* le Mémorandum porte "piastres métalliques." Ainsi que le constate d'ailleurs le Mémorandum, les dîmes en 1877 avaient rapporté en caïmé plus de 11,000,000 piastres, qui converties en livres Turques, suivant la demande du Colonel Biddulph, au taux de 207 piastres par livre, donneraient déjà un chiffre quelque peu supérieur à 5,039,766 piastres. En outre, il ne serait pas juste d'appliquer le taux de 108·10 à toutes les autres recettes. Les revenus des Douanes, ainsi que ceux des tabacs de 1290, de 1291 et de la majeure partie de 1292, et quelques autres recettes de moindre importance, étaient perçues en monnaie d'argent dont le cours variait fort peu alors de celui de l'or; néanmoins, pour obtenir une majoration en faveur des revenus en médjidiés d'argent, nous n'entendons pas obliger maintenant le Gouvernement Britannique à recourir à des constatations nouvelles. Nous voulons admettre que la réduction soit opérée sur la totalité des revenus, à l'exception seule de la dîme de 1887.

RÉCAPITULATION indiquant les différences qui existent entre les chiffres contenus dans le Mémorandum du Gouvernement Anglais et ceux résultant des vérifications effectuées par le Trésor Impérial.

| | Prs. |
|---|---|
| Montant en monnaie métallique de l'excédent annuel, d'après le calcul du Gouvernement Anglais .. .. .. .. .. .. | 10,507,110 |
| Différence entre l'évaluation du quart des dîmes des années 1290-1291 .. | 236,111 |
| Différence entre l'évaluation des revenus du tapou .. .. .. | 200,072 |
| Pensions, redevances, et Bédélats .. .. .. .. | 111,957 |
| Emprunt forcé .. .. .. .. .. .. .. | 75,915 |
| Différence dans le compte du caïmé .. .. .. .. .. | 957,146 |
| | 12,088,311 |
| Différence provenant de la conversion en or des 11,080,358 prs., à l'exclusion des 1,007,953 prs., représentant le cinquième du montant de la dîme de l'année 1293 convertie déjà en or et porté en compte* .. .. | 544,462 |
| Soit la £ T. à 100 prs., total .. .. .. .. | 11,243,849 |

* La différence calculée par le Gouvernement de Sa Majesté Britannique porte sur 10,507,110 prs., tandis que notre calcul est basé sur 11,080,358 prs., d'où une différence en plus de 43,600 prs. en faveur de l'Administration Anglaise.

Les 11,080,358 prs. précitées représentent la moyenne quinquennale de tous les revenus, sauf celle de la dîme de l'année 1293, dont le montant se trouve déjà inscrit en or.

No. 25.

*Foreign Office to Mr. Caillard.*

*Foreign Office, July* 7, 1888.

Dear Mr. Caillard,

YOUR letter of the 21st ultimo was communicated to the Colonial Office, and I am now directed by Lord Salisbury to forward to you a copy of the reply received from that Department.

You will see that it is suggested that the question of a supply of salt from Cyprus should stand over, for the present year at all events, as the stock in the island is small.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

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No. 26.

*The Marquis of Salisbury to Sir W. White.*

(No. 220. Confidential.)

*Foreign Office, July* 11, 1888.

Sir,

WITH reference to my despatch No. 162 of the 2nd ultimo and to previous correspondence relative to the means of counteracting the preponderance of French capitalists in Turkish financial affairs, I transmit herewith, for your Excellency's information, a copy of a despatch from Her Majesty's Ambassador at Berlin,* forwarding copy of Baron Blanc's Report on this subject, and a précis of remarks upon it by Dr. Busch.

I shall be glad to be favoured with your Excellency's views upon the latter paper.

I am, &c.

(Signed) SALISBURY.

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No. 27.

*The Marquis of Salisbury to Rustem Pasha.*

*Foreign Office, July* 12, 1888.

M. l'Ambassadeur,

I HAVE the honour to acknowledge the receipt of your Excellency's note of the 7th instant, inclosing a further Memorandum on the question of the surplus revenue of Cyprus, and requesting that, pending the settlement of the points in discussion, the sums admitted by Her Majesty's Government to be payable on this account may be placed at the disposal of the Sublime Porte.

I have forwarded these papers to the proper Departments of Her Majesty's Government, and have requested that they may receive immediate attention.

I have, &c.

(Signed) SALISBURY.

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No. 28.

*Foreign Office to Treasury.*†

*Foreign Office, July* 12, 1888.

Sir,

WITH reference to my letter of the 28th March last, forwarding copies of a note and Memorandum from the Turkish Ambassador at this Court relative to the amount payable by Her Majesty's Government to that of Turkey on account of the surplus revenue of Cyprus, I am directed by the Marquis of Salisbury to transmit to you, to be laid before the Lords Commissioners of Her Majesty's Treasury, a copy of a further note from Rustem Pasha,‡ inclosing a statement of the question drawn up by the Turkish Ministry of Finance, and requesting that, pending the settlement of the points in dispute, the sums admitted by Her Majesty's Government to be due to the Porte may be placed at its disposal.

* No. 22.

† Also to Colonial Office.

‡ No. 24.



I am to request that this communication may receive immediate attention, and that Lord Salisbury may be informed of the reply which should, in the opinion of the Lords Commissioners of Her Majesty's Treasury, be returned to it.

A similar letter has been addressed to the Colonial Office.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

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No. 29.

*Foreign Office to Treasury.*

*Foreign Office, August* 2, 1888.

Sir,

I AM directed by the Marquis of Salisbury to state that the Turkish Ambassador called at this Office to-day and again pressed for the answer of Her Majesty's Government with regard to the points in dispute between the two Governments relating to the surplus revenue of Cyprus, and to his request that, pending their settlement, the sums admitted by Her Majesty's Government to be due to the Porte may be placed at its disposal.

I am to request that you will move the Lords Commissioners of the Treasury to favour Lord Salisbury, at their earliest convenience, with a reply to the letters from this Department of the 28th March and 12th ultimo on the subject.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

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No. 30.

*Colonial Office to Foreign Office.—(Received August* 8.)

*Downing Street, August* 7, 1888.

Sir,

I AM directed by the Secretary of State for the Colonies to transmit to you, to be laid before the Marquis of Salisbury, with reference to the letter from this Department of the 4th ultimo, a copy of a despatch from the High Commissioner of Cyprus on the subject of the delivery of salt to Turkey.

I am, &c.

(Signed) ROBERT G. W. HERBERT.

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Inclosure 1 in No. 30.

*Sir H. Bulwer to Lord Knutsford.*

*Troödos, July* 24, 1888.

My Lord,

I HAVE the honour to forward, for your Lordship's information, a copy of a letter which has been received from Mr. Caillard in reply to the letter which this Government addressed to him on the 25th ultimo on the subject of the request made by or on behalf of the Council of the Ottoman Public Debt Administration for the delivery to it of the salt payable annually by this island to the Porte.

2. It would seem from Mr. Caillard's letter that the object of the Council of the Public Debt Administration is to obtain not the quantity of salt payable annually to the Porte, but all the salt collected in Cyprus which is in excess of the quantity required for local consumption, whether the excess be more or less than the 5,208 tons payable to the Porte. It would further seem that the application made by Mr. Caillard is made on the ground that an illicit trade in salt, fed, it is alleged, to a very great extent from this island, is being carried on with the coast of Karamania and Syria, and that the only reason which the Council of the Public Debt Administration has for desiring to obtain the surplus salt produced in Cyprus is to prevent the illicit trade referred to.

3. I inclose a copy of the reply which I have caused to be sent to Mr. Caillard, who is made acquainted by it that he has been greatly misinformed if he has been led to believe that such a contraband trade in salt as he mentions is carried on between this island and the mainland.

4. In addition to what is stated in the letter to Mr. Caillard, I would here give, for your Lordship's information, a few particulars which will serve to show how

impossible it is that any contraband trade in salt, worth the name, can have been carried on from Cyprus during the past nine years.

5. Since the 1st January, 1879, only two collections of salt have been made in the island. The first was made in that year, the quantity collected being 13,750 tons. The second was made in 1887, when the quantity collected was 460 tons. What quantity of salt was left in store on the 1st January, 1879, I cannot just now ascertain; but as there had been an export of over 5,000 tons in 1878, the quantity left on hand could not have been much, and it will, I think, be quite sufficient, for all practical purposes, to render an account for the 14,210 tons collected since the 1st January, 1879.

6. The quantity taken into consumption in the island every year is put at 900 tons, which, for nine years, amounts to 8,100 tons. These are not the actual or exact figures, but they are approximate. The actual quantity exported during the nine years is returned at 995 tons. That gives a total of 9,095 tons consumed and exported. The quantity remaining in stock last month, according to the stock books, is stated to have been 5,253 tons. This quantity is returned, however, without making any allowance for loss by exposure and wastage; and what the actual quantity in stock is cannot be ascertained until delivery is made.

7. Of the 995 tons exported, 461 tons were sent to Greece, 2½ tons to Egypt, and the rest, 532 tons, to Turkey.

8. The facts above given are quite sufficient to show that no illicit trade in salt worth naming can have been carried on between Cyprus and the Turkish mainland during the period in question.

9. No doubt salt is occasionally robbed from the Government salines, and some quantity is also gathered every year along the sea-shore. But I think it may be said that whatever is taken in this way is taken for consumption in the island, and is to the loss of the Cyprus revenue, and that it can never be sufficient to form an article of export trade to the mainland.

I have, &c.
(Signed) H. BULWER,
*High Commissioner.*

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Inclosure 2 in No. 30.

*Mr. V. Caillard to Mr. G. Smith.*

*Constantinople, July* 5, 1888.

Sir,

I HAVE to thank you for your communication of the 25th June. I was about, with the permission of Lord Salisbury, to write privately to his Excellency the High Commissioner upon the subject of your letter, but since you have been good enough to write to me by his Excellency's direction in a more official form, I will venture to reply in the same manner.

The request apparently made to Her Majesty's Government on behalf of my Council to which you refer was embodied in a Memorandum dated the 18th May, 1886, from myself to Sir Julian Pauncefote, of which I have the honour to inclose you a copy. You will perceive at once that our sole object in wishing to take delivery of salt from the Government of Cyprus is to prevent the illicit trade in salt now flourishing on the coasts of Karamania and Syria, and to a very considerable extent fed, I had hitherto been informed, by the salt produced in the natural salt-pans ("salines naturelles") in the Island of Cyprus, in excess of that required for the interior consumption of the island. It was this excess which we wished to purchase from your Government in order to assure ourselves that it should not pass in contraband as above described. I should inform you that we produce in our own salt-pans in the various parts of Turkey quantities of salt largely sufficient for the consumption of this Empire. What would best meet our views would be that all exportation of salt from the Island of Cyprus should be rigorously prevented. You will therefore perceive that I cannot fix either the quantities to be taken over by us from your Government nor the dates, as you request; I would rather beg you to be kind enough to let me know when you could hand us over the salt produced in excess of that required for the consumption of the island; I presume this would be at the end of the season for salt extraction. The whole question turns upon the points whether this excess salt is produced or not, either artificially or naturally, and, if so, whether it is exported. I should be exceedingly obliged to you if you would be kind enough to give me all information possible upon



these points, and also as to the quantities you may find that it would be necessary for us to take over from your Government in order that we may effectually become possessed of all salt produced in Cyprus not required for consumption in the island itself.

We will appoint an accredited agent, as you request, when a definite arrangement has been arrived at, and I will duly inform you of his name. He will make all the arrangements necessary for conveying the salt on board. I note that the old salt-pier no longer exists, and that the old store is unfit for use, and should be much obliged if you would kindly tell me what facilities and means of conveyance we should find at Larnaca for embarking the salt on board the ships sent to take it away, and what would be the most suitable tonnage for these ships to measure. We will, of course, give an undertaking that the salt once shipped at Larnaca shall not be relanded in Cyprus.

The matter to which you refer in the last paragraph of your letter will depend upon the points which I have now raised, for, I will venture to repeat, what would suit us best would be that no more salt should be extracted in Cyprus than that required for consumption in the island itself, in which case we should, of course, take no delivery at all. If, however, this should not be possible, we desire to take over all the excess salt. Should it be less than 5,208 tons, so much the better; should it be more, we should still wish to take it off your hands.

I have, in any case, been requested by the Secretary of State for Foreign Affairs, through a letter addressed to me by Sir Philip Currie, to "take no action in the matter until Her Majesty's Government have communicated officially with the Turkish Ambassador," and this I understand that they will do when I can propose a definite arrangement which shall have obtained the approval of your Government.

Trusting that I may hear from you soon, I am, &c.

(Signed) VINCENT CAILLARD,
*President of the Council of Administration of the Ottoman Public Debt.*

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Inclosure 3 in No. 30.

*Mr. G. Smith to Mr. V. Caillard.*

*Chief Secretary's Office, Troödos, Cyprus, July* 24, 1888.

Sir,

I HAVE to acknowledge the receipt of your letter of the 5th instant, which is in reply to mine of the 25th ultimo, on the subject of a request understood to have been made to her Majesty's Government on behalf of the Council of the Administration of the Ottoman Public Debt for the delivery of certain salt annually payable by the Government of this island to the Porte.

I have laid your letter before the High Commissioner, who observes that it presents the matter under discussion in an altogether different aspect from that in which it was understood at the time I wrote to you on the 25th June, because, whilst this Government then expressed itself as being prepared, under the authority of Her Majesty's Government, and subject to the acquiescence of the Sublime Porte, to collect and deliver to the Council of the Ottoman Public Debt Administration, or their duly accredited agent, the quantity of salt (5,208 tons) annually payable to the Porte by this island, it would now seem that the object which the Council of the Debt Administration has in view is to obtain from the Government of Cyprus all the salt collected in Cyprus in excess of what is required for local consumption, whether it be more or less than the above-named quantity of 5,208 tons; secondly, that your request is made on the ground that an illicit trade in salt, which it is alleged is to a very considerable extent fed from this island, is being carried on with the coasts of Karamania and Syria; and, thirdly, that the only reason which you have for making this request or for wishing to obtain salt from Cyprus is that you may prevent the above-mentioned contraband trade.

His Excellency desires me to say that you must have been greatly misinformed if you have been led to believe that such a contraband trade is carried on between this island and the mainland, and that the circumstances of the salt collection and trade here during the past nine years have been very different from what you apparently suppose them to be.

I am to state, for your information, that salt in Cyprus is formed naturally in the

salines at Larnaca and Limassol, and in small quantities in other parts of the island, but that the salines at Larnaca alone are worked or made use of. With the exception of 460 tons of salt collected last year, there has been no collection of salt since the year 1879, when between 13,000 and 14,000 tons were collected. The salt then collected has formed the stock out of which all the requirements and demands have since been met, and that stock is not yet exhausted. During these nine years the export of salt has been inconsiderable, the total quantity exported having been about 1,000 tons, and during the last four years the export has been almost *nil*. The store of salt is well guarded, and guards are also stationed at the other salines to prevent any illicit collection, which would necessarily be to the injury of the revenue of the Government of the island. No doubt, in parts along the sea-shore, salt is gathered in small quantities by the people, to the loss of the Cyprus revenue; but the quantities thus gathered could hardly be sufficient to form at any time an article of export.

I have, &c.
(Signed) G. SMITH,
*Acting Chief Secretary.*

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No. 31.

*Sir W. White to the Marquis of Salisbury.*—(*Received August* 11.)

(No. 291. Confidential.)
My Lord, *Therapia, August* 1, 1888.

IN your despatch No. 220 of the 11th ultimo, marked Confidential, your Lordship called my attention to the remarks made by Baron Blanc and Dr. Busch on the preponderance of French capitalists in Turkish financial affairs, and to the means of counteracting it, and you were pleased to express a wish to hear my views upon the latter paper.

My views are certainly much nearer those expressed by Dr. Busch than the observations made by [my] Italian colleague. The latter being new to Eastern experiences is much more forcibly struck by the symptoms of Turkish decay than is the case with persons who have been in contact with Eastern elements for a much longer time.

It is quite true that the hopes once entertained from the establishment of the Imperial Ottoman Bank have been sadly disappointed, and that this Institution has during the last ten years become a sort of middle financial agency for accommodating the Porte with momentary pecuniary assistance on heavy terms, the funds for which are principally derived from Paris, but to some extent also from London and Berlin.

French capital has this peculiarity, that its distribution and employment is much more frequently carried on in co-operation with French political objects and subservient to them than could be the case with us.

Moreover, the French capitalists have at their service in their dealings with Turkey some individuals of great activity, and ever ready to ask their Embassy to tell them what they could do to favour French interests. Whether such action is always advantageous in the long run appears to me not quite so sure.

The "Tobacco Régie" established by French capitalists some years ago under these auspices, with the co-operation of Baron Bleichröder and of the Vienna "Crédit Anstalt," has so far proved a losing concern.

The next financial operation patronized by the Ottoman Bank was a loan, the interest of which is secured on the Turkish Custom-houses, contracted in 1886, and another loan of a similar kind has been proposed since, but has not been effected, as the Sultan considered the terms as too onerous for his Empire.

Between these, however, I ought to have mentioned the formation of the French "Société de Raccordements," which has constructed the junctions on the Ottoman European lines.

This Company, with the co-operation of other houses, French and foreign, is now endeavouring to obtain an extensive Concession for the construction and working of the projected railway lines in Asiatic Turkey.

Of course, were it to succeed in this, there can be no doubt that a new financial ring would thus exercise a considerable influence in a country in which corruption is prevalent, and the civil servants are irregularly paid their salaries.

These are the evils which have been pointed out to the German and Italian Governments, and which certainly have not escaped my observation either, but to which I have not been able to discover as yet, to my great regret, any practical remedy which I, as a British Ambassador, could recommend to Her Majesty's Government consistently with English practice in financial undertakings.

To resist successfully foreign enterprise one must be prepared to recommend some rival financial establishment prepared to give Turkey credit and assistance in her growing difficulties.

I have, &c.
(Signed) W. A. WHITE.



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No. 32.

*Sir W. White to the Marquis of Salisbury.*—(*Received August* 11.)

(No. 303. Confidential.)
My Lord, *Therapia, August* 7, 1888.

WITH my despatch No. 220, Confidential, of the 4th June, I had the honour to forward to your Lordship a précis (confidentially obtained) of the Russian note addressed on the 17th (29th) May of this year by M. de Nélidow to the Sublime Porte on the subject of the arrears which are accumulating of the sums due to Russia by Turkey on account of the war indemnity.

I have now the honour to transmit to your Lordship a similar précis, obtained with still greater difficulty, of the Porte's answer to the above-mentioned Russian note.

I have been told that M. de Nélidow was by no means satisfied with the evasive character of this reply, but transmitted it to St. Petersburgh.

Some one who was speaking to me of the nature of this Turkish communication observed rather pertinently that whilst the Ottoman Government confessed its inability to pay regularly £ T. 350,000 per annum for the war indemnity, it offers now to pay £ T. 100,000 more every year for the purpose of redeeming the arrears which have accrued in previous years.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure in No. 32.

*Précis of Porte's Reply to Russian Note respecting the War Indemnity.*

LA note du 17 (29) Mai a été l'objet de l'attention toute particulière du Gouvernement Impérial qui s'est du reste toujours préoccupé d'assurer la régularité du service de l'indemnité.

Dans ce même but, il a décrété les mesures suivantes :—

Les autorités provinciales veilleront constamment à ce que les versements des revenus affectés par la Convention se fassent ponctuellement et avant tous autres.

Les bons dîmiers seront désormais endossés au nom de la Banque Impériale Ottomane. En outre, pour entourer le service de l'indemnité de plus de garanties, il a été placé sous la surveillance et la responsabilité des Gouverneurs-Généraux et sous le contrôle des Inspecteurs Financiers.

Le déficit sera couvert par une somme annuelle de £ T. 100,000 prise : les £ T. 75,000 sur les dîmes d'Alep, et les £ T. 25,000 sur celles de Hamouret-ul-Aziz.

*Le* 22 *Juillet*, 1888.

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No. 33.

*Treasury to Foreign Office.*—(*Received August* 11.)

Sir, *Treasury Chambers, August* 10, 1888.

IN reply to your letters of the 28th March and 12th July last, inclosing Memoranda by Rustem Pasha respecting the amount of the Cyprus Tribute which he considers to have been underrated in 1882, the Lords Commissioners of Her Majesty's Treasury direct me to inclose, for the information of the Marquis of Salisbury, a copy

of a letter which they have caused to be addressed to the Colonial Office on the subject, in which my Lords request that the representations of the Turkish Ambassador may be carefully considered.

My Lords will cause a separate communication to be made to you hereafter respecting the request of Rustem Pasha, that a payment may be made at once of the balance of tribute admitted to be due to the Porte, and which request is referred to in your letter of the 12th ultimo.

I am, &c.
(Signed) R. E. WELBY.

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Inclosure in No. 33.

*Treasury to Colonial Office.*

*Treasury Chambers, August* 10, 1888.

Sir,

THE Lords Commissioners of Her Majesty's Treasury have had before them Mr. Meade's letter of the 24th April last respecting a Memorandum received from the Turkish Ambassador, disputing the accuracy of the amount of the annual Cyprus Tribute, as arrived at by Her Majesty's Government in 1882. Since that letter an amended Memorandum has been submitted by Rustem Pasha, a copy of which would seem to have been communicated by the Foreign Office to your Department.

My Lords agree with Lord Knutsford in holding it to have been the intention of both the Treasury and the Colonial Office in 1882 that the calculation of the tribute made in that year was to be final and conclusive. It was not so described, however, when communicated to the Porte. Moreover, although the long delay that has occurred on the part of the Porte in submitting their criticisms might afford a fair plea for declining to reopen the question, the interval that has elapsed since the receipt of Rustem Pasha's note in April last makes it difficult now to refuse to consider his representations.

My Lords would therefore request that the Turkish Ambassador's amended Memorandum may be carefully considered in your Department, with the assistance of Sir Robert Biddulph, and that the results may be communicated to the Treasury. The general principle which my Lords think should govern this examination is that manifest errors of calculation or oversights, if found, should be corrected, but that matters of fair doubt on either side should be left unaltered as having been already carefully considered with greater facilities for accurate judgment than now exist.

A copy of this letter has been sent to the Foreign Office.

I am, &c.
(Signed) R. E. WELBY.

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No. 34.

*Mr. Caillard to the Marquis of Salisbury.*—(*Received August* 18.)

*Constantinople, August* 14, 1888.

My Lord,

I VENTURE to send your Lordship a Memorandum on the present financial condition of Turkey, which is becoming more and more critical.

I have, &c.
(Signed) VINCENT CAILLARD.

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Inclosure in No. 34.

*Memorandum on the present Financial Position in Turkey.*

IN dealing with the subject of Turkish finance the same difficulty is always present, namely, the impossibility of obtaining figures based upon a regular system of accounts. For years past no proper accounts have been kept, and although at the close of each financial year the Chief Accountant of each financial circumscription should send in his accounts, properly made up and closed, to the Ministry of Finance, this has never been done. For the first time a really serious attempt is now being made to make up the accounts of the Empire for the past year, owing to the



appointment of Mikaël Effendi Portugal, formerly President of the Council of the Customs, to be "Musteschar," or Permanent Under-Secretary of State at the Ministry of Finance. It is within my knowledge that this gentleman has met with almost insuperable difficulties in obtaining the accounts from the provinces at all; for months he could only procure accounts from nine provincial Treasuries out of thirty-nine, and of these several were incorrect and had to be returned to be made up afresh; he has now by untiring perseverance obtained accounts from all the provinces, except one or two, for the first three months of last year; one sandjak only, the Sandjak of Jerusalem, has sent accounts for the whole year. If Mikaël Effendi remains in his place, no doubt, in course of time, the accounts of one year for the whole Empire will be made up; this will be an event in the history of Turkey. The only figures, therefore, which I am able to give are approximations; under the circumstances they may be taken to be as near as possible to the truth; I have consulted the very best authorities on the subject.

Stated practically and tersely the present state of the Turkish Treasury (leaving of account the Administration of the Public Debt) may be described as follows:—

There is no ready cash at the disposal of the Government; there was a deficit last year of about 3,000,000*l.*, of which 1,700,000*l.* odd appear in the Ordinary Budget, 1,000,000*l.* odd in the Extraordinary Budget; there is every prospect of there being a still greater deficit this year; there is a growing floating debt of £ T. 16,000,000 (say 14,500,000*l.*), and no resources available under present conditions to settle it.

The floating debt has during the past few years (since 1884) rapidly increased. Various makeshifts have have been resorted to to reduce it, but in vain. The "Tasfié" bonds (bonds bearing no interest, issued to creditors of the Government, which takes them back in payment of arrears of taxes) the issue of which was practically an act of bankruptcy, have been to a great extent a failure. The issue of "Dachlié" bonds (bonds bearing interest, issued to Government employés in payment of arrears of salary) could be effected only once; it was an operation that could not be repeated. The quotation of these obligations in the market is a measure of their success.

| | |
|---|---|
| The Tasfié .. .. .. .. .. .. .. .. | 11 |
| The Dachlié .. .. .. .. .. .. .. .. | 38 |

The combined nominal value issued is, in round figures, £ T. 3,000,000. That is to say, that the floating debt has been lightened by that amount; yet it has on the whole increased by £ T. 6,000,000 since the end of 1884; therefore in three years Turkey has overspent about £ T. 9,000,000, say £ T. 3,000,000 per annum. I understand that the debt contracted towards Mauser for rifles, amounting to about £ T. 2,200,000, is not included in the floating debt, as it is payable in instalments spread over a period of three years. About £ T. 325,000 of this has been paid. The guns ordered from Krupp, costing about £ T. 640,000, have been almost entirely paid for.

The state of the Treasury is such that the Minister of Finance was, a short time ago, very hard pressed to find £ T. 25,000 to pay the contractors for the army at Adrianople, the contractors threatening to stop supplies unless this payment were made. No previous debts are paid. (I may instance the annuity due to the Société des Raccordements.) Orders have been issued that the Government drafts on the provinces ("havalés") are not to be honoured; for the first time Government officials have not received this year a whole month's, but only half a month's, pay at Baïram, causing deep discontent amongst the Mussulmans; the most reliable authorities inform me that the Treasury has never before been reduced to such straits.

It is unnecessary for me to say that the Russian war indemnity remains wholly unpaid; the arrears amounted on the 31st December, 1887, to £ T. 615,000, and now are considerably over £ T. 700,000.

The Budget for the present year, as originally compiled, again showed a deficit of £ T. 3,300,000; this deficit it was proposed to cover by a loan secured on the Custom-house receipts. The Sultan, however, refused to sanction this, asking the Grand Vizier and the Minister of Finance what they should do next year, when he would no longer sanction a loan. He therefore returned the Budget, with a command that it should again be discussed. By various expedients, which are really only makeshifts on paper, such as reducing the expenditure on the army and navy (upon which Services not much more than half of what is set down in the Budget is really expended), and by assuming that by the conclusion of the Hirsch arbitration, by the granting of the Ismidt-Angora Railway Concession, and by a loan to be raised on certain revenues apart from the Customs, an amount of £ T. 2,000,000 in cash would be obtained, the

Budget Commission reduced the deficit in the Budget to a little over £ T. 300,000. It is further assumed, however, in the Budget that the revenues in cash will equal those to which the Government has been entitled according to the registers during the last few years, *i.e.*, that there will be no arrears, and that taxes taken in kind can be converted into cash, which assumption will certainly not be realized. Moreover, the Extraordinary Budget is not included in this estimate, and there will be a further deficit owing to this. As to next year, the Budget Commission hopes that, when next year comes, they will be able to find expedients wherewith to make both ends meet. But this is a very airy and unsafe basis on which to rest a system of State finance. For the extreme straitness of this year the famine last year may be in part responsible. Still, in previous years, as I have shown, there have been deficits of £ T. 3,000,000, and under present conditions there is no reason why they should not continue. Specially secured advances and loans on usurious terms from the Ottoman Bank have hitherto got the Turkish Government over its worst moments, but this really only makes the situation worse by depriving the Government of more of its straitened and much-needed resources; moreover, if the present negotiation for a loan secured on various items of revenue accruing from the fisheries, silk, &c., not hypothecated to the service of the Consolidated Debt, be successful, there will remain only a very small revenue at which even the Ottoman Bank would look as security for a further loan or advance, namely, the small amount of the Customs revenues still remaining free. The present charges on the Customs revenue amount to about £ T. 1,935,000; the revenue is about £ T. 2,100,000 (this is rather above than below the truth); when the difference, viz., £ T. 165,000, shall have been hypothecated, then the Turkish Empire will be literally and absolutely at its last gasp for money.

I believe this state of affairs to be pregnant with great political danger. Apart from evident dangers, such as the very great difficulty of mobilizing the army in case of declaration of war, by, *e.g.*, Russia, with no means to mobilize, there exists the danger that Turkey will fall completely into the hands of that Power which shall afford her financial help. There is only one source at present existent of financial help for Turkey, *i.e.*, the Ottoman Bank. The Ottoman Bank, although ostensibly an Anglo-French institution, is for all practical purposes wholly French; the English element, as long as a pretty good dividend is declared, remains quietly content and lets the French element do what it likes. The Ottoman Bank is managed from Paris, and this is what the leading spirit of the Paris Board said to me the other day when I was pointing out to him the great inadvisability of making year by year fresh loans to the Turkish Government and thus depriving it of all its available resources. "The sooner," he said in effect, "we can drive the Turks into a regular corner the better. They will then be completely in our power. When all their available resources shall have been hypothecated I hope to be able to force them to raise loans upon the Civil List, and in the end we shall make Turkey into a second Egypt." That is, France will create another Egyptian question in Turkey, perhaps, seeing the indifference of the English element, dragging England in her wake.

I have had occasion before to point out the great political importance of the financial depletion of Turkey. I have endeavoured to suggest remedies, but it is very difficult to find a practical remedy. The present dilemma is extremely puzzling. The gentleman I mentioned at the commencement of this note is working very ably and very hard, but he is alone, and it will be long (even if the Sultan leaves him at his post) before he can effect real financial reform.

For some time to come the Turkish Government will be forced to find supplies over and above its ordinary revenues. Stop those supplies, and either there will be a catastrophe which may result in driving the Government into the arms of the Ottoman Bank; permit those supplies to be found, and in the end the Turks will probably still fall into the power of the Ottoman Bank. In either case, France will gain a preponderating influence in Turkey through the Ottoman Bank, as she did in Egypt through the French bondholders; and I submit that it is more than ever contrary to the interests of England in the East that France, who is now walking hand in hand with Russia, should obtain such a preponderating influence in Turkey. Of the two courses, the second is, I think, on the whole, preferable, as by it time is gained, and with time possibly may come remedies. If, for instance, the trunk line from Ismidt to Angora and on to Bagdad could be built, the strength and resources of Turkey would be enormously developed within a reasonable time; every effort, however, should be made to prevent the Ismidt-Bagdad Railway Concession from falling into the hands of any French group of capitalists, or of any group in which any French or Ottoman Bank element should take part, for in



my opinion the Company which shall construct that line will, in the end, have the whole network of railways in Asia Minor in its hands, and will have a greatly preponderating material and political influence in the country.

(Signed) VINCENT CAILLARD.

*August* 10, 1888.

P.S.—It is known that about three weeks ago the Ministry was given to understand that unless money were found for the payment of one month's pay to the Government officials at Courbar Bairam, now close at hand, it would be replaced by another Ministry. (Said Pasha was mentioned as Grand Vizier, Hassan Fehmi Pasha as Minister of Finance.) The Ministry, hard put to it to save its existence, has strained every nerve to find the necessary sum. To show to what devices Imperial Finance is driven, and how rotten the system of State finance is in Turkey, I will describe the manner in which about £ T. 70,000 out of the £ T. 120,000 required is obtained.

A "havalé" is a Government draft on a provincial Treasury. Upon these havalés the Government has obtained advances from those to whom money was due already, naturally upon the most usurious terms. The amount for which the havalé was made out thus comes to be made up of three distinct parts:—

1. An advance to the Government in cash.
2. Amount due to contractors furnishing supplies to a Government Department.
3. "Compensation" with "surets" (a kind of Treasury bond), for the pay of Government officials, old debts of the Ministry of Finance, &c. (The meaning of this is that the "havalédjis" buy up these bonds at an extremely low rate in the market, and comprise them *at par* in an "advance" to the Ministry of Finance, which is forced to accept them thus, or no cash accommodation would be obtained.)

Quite recently the payment of havalés all over the Empire was stopped, a measure which reduced some of the havalédjis to the verge of ruin. The Ministry of Finance called the principal amount of them, and offered the following composition. For simplicity's sake I will suppose a havalé of £ T. 30,000, the three component parts (as above described) of the amount of which are £ T. 10,000 each:—

Then the havalédji had advanced £ T. 10,000 in cash to the Government; this remains unchanged.

£ T. 10,000 were due by the Government for supplies furnished; the havalédji is requested to advance immediately to the Government an amount of cash equal to 10 per cent. of this item; in this case, £ T. 1,000.

As to the third £ T. 10,000, the havalédji is required to advance immediately to the Government an amount of cash equal to 30 per cent. of this item; in this case £ T. 3,000.

The £ T. 4,000 thus obtained are added to the original £ T. 30,000, and the havalédji receives orders on the tithe-farmers for the whole £ T. 34,000, payable on the 1st March next. Finally, the havalédjis consent to receiving no interest either passed or current, as well for the original as for the new amounts. They will nevertheless, at the close of the operation, if duly paid on the 1st March next, have gained from 8 to 23 per cent. on their first venture, according to the amount included as "compensation" in the original havalé, whilst the Government gains £ T. 30,000 by the saving of interest. This is a most excellent proof of the ruinous terms upon which the current financial business of Turkey is carried on.

V. C.

*Note.*—On the evening of the day on which this was finished, the Sultan dismissed Mikaël Effendi Portugal from the Ministry of Finance, together with the Minister himself. The latter is not at all to be regretted, but the former enormously so; the Sultan delights in preventing really honest and capable men from rendering any real service to the State. Agop Pasha, upon whose ability and integrity I have written on former occasions, is *ad interim* carrying on the Ministry of Finance, but we shall doubtless soon see another corrupt and incapable Minister of the usual sort there.

## No. 35.

*Mr. Goschen, M.P., to Rustem Pasha.*—(*Communicated privately to the Foreign Office by Treasury, August* 18.)

(Confidential.)

*Seacox Heath, Hawkhurst, August* 15, 1888.

My dear Ambassador,

I AM very sorry to say in reply to your letter of the 11th instant that we are very far apart in our calculations, and generally in our standpoint.

Nor can I understand how your Government can be under the impression that, even if we were prepared to waive claims that we have communicated to the Sublime Porte with reference to the sinking fund on the Guaranteed Loan, there would be a sum at all approaching 100,000*l.* at its disposal.

Your Memorandum omits all reference to the ransoms of Colonel Synge and Mr. Suter, which, as your Government know, have been set against the Turkish tribute, and which together amount to nearly 25,000*l.*; nor the deduction for pensions, forced loans repaid, commission, &c., amounting to 6,146*l.* I also learn that you claim credit for too much gross tribute to the amount of 2,286*l.*, but this must be explained to you in detail.

There are other items of smaller amounts to be deducted.

And, further, 41,500*l.*, or thereabouts, was paid on the 1st July on the Ottoman Loan. Now you will see how very much the two calculations differ. I inclose a statement showing how the account would stand on our basis as compared with yours, provided we had no further counter-claims. But on looking over the correspondence very carefully I find that the Sublime Porte was fully notified that if measures were not taken to provide a sinking fund in accordance with the Convention, Her Majesty's Government might to their regret see themselves compelled to retain for that purpose the balance of the surplus which might from year to year remain in their hands.

It seems clear to me that it was this notification which has led to the long interval which your Government has allowed to elapse in pursuing the adjustment of any differences in the calculations and any acknowledgment of the correctness of the accounts sent in, and I presume that in the lapse of time the cause of the original delay has been overlooked. But in now resuming the discussion of the Cyprus tribute I fear we must take up the matter where it was left in 1884.

There are thus three distinct discussions:—

1. The discussion which you raise in your last two despatches as to the correctness of the original calculation of the tribute.

2. The discussion as to the amount due to the Porte on the basis of the correctness of the original sum fixed, a discussion which I hope will be cleared up by the statement which I inclose.

3. The discussion as to the amount due by the Porte in respect of the suspension of the sinking fund on the Guaranteed Loan, owing to which suspension the liability of the English and French Governments has been prolonged and increased, in breach of the Convention under which that guarantee was given.

Your Excellency will see how impossible it is, in view of these discussions which have to be disposed of, for the matter to be so rapidly arranged as you had hoped. I presume you will have to consult your Government with respect to the points on which the information given you has been clearly imperfect, as in your letters and Memoranda you passed over such material items as the deduction of the ransoms, and the claims as to the sinking fund, in silence.

All this might of course be communicated to you officially, but you may prefer these confidential explanations of the position which we take up to be given to you by me in this informal way in the first instance. At all events, we shall clear the ground, and arrive at knowing where the points of difference lie, and what are the views of the two parties concerned.

With many regrets that I am not able to meet your wishes in the manner you desire, I remain, &c.

(Signed) GEORGE J. GOSCHEN.

P.S.—I hope you may get away for a holiday notwithstanding that these questions are unsettled. Some time will elapse before you will have answers from Constantinople as to some of the matters to which I have called your attention.

G. J. G.

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Inclosure in No. 35.

*Receipts by British Government.*

CYPRUS TRIBUTE.

Comparative Statement.

| Year. | Amounts acknowledged by British Government to have been paid: Gross Tribute. | Deductions for Forced Loan Repayments (Double Verghi and Officials), Military Pensioners, Refund of Beit-ul-mal, and Commission on Remittances. | No Tribute. | Amount estimated by Turkish Government to have been paid. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| 1879–80 .. .. | 90,000 0 0 | .. | 90,000 0 0 | 92,686 0 0 |
| 1880–81 .. .. | 92,686 0 0 | 246 0 0 | 92,440 0 0 | 92,686 0 0 |
| 1881–82 .. .. | 92,686 0 0 | 542 0 0 | 92,144 0 0 | 92,686 0 0 |
| 1882–83 .. .. | 92,686 0 0 | 2,416 10 0 | 90,269 10 0 | 92,686 0 0 |
| 1883–84 .. .. | 92,686 0 0 | 975 17 2 | 91,710 2 10 | 92,686 0 0 |
| 1884–85 .. .. | 92,745 2 3 | 467 14 8 | 92,277 7 7 | 92,686 0 0 |
| 1885–86 .. .. | 92,799 11 3 | 509 5 4 | 92,290 5 11 | 92,686 0 0 |
| 1886–87 .. .. | 92,799 11 3 | 494 6 5 | 92,305 4 10 | 92,686 0 0 |
| 1887–88 .. .. | 92,799 11 3 | 494 6 5 | 92,305 4 10 | 92,686 0 0 |
| Total .. .. | 831,387 16 0 | 6,146 0 0 | 825,741 16 0 | 834,174 0 0 |

*Note.*—The final account for 1887–88 not having yet been rendered, it has been assumed that the figures will be the same as those for 1886–87.

*Payments by British Government.*

| | £ s. d. | £ s. d. |
|---|---|---|
| In addition to the expenditure by the British Government (for advances to meet the dividends on the Ottoman Loan), included in the account of the Turkish Ambassador, viz. .. .. .. | .. | 714,324 9 4 |
| The British Government has also paid the following sums:— | | |
| 1. To the Bank of England— | | |
| Dividends and management on the Ottoman Loan for the half-year to 1st August, 1879, in excess of the sums provided by the Turkish Government, viz.— | | |
| Dividends and management .. .. .. | 77,448 11 2 | |
| Deduct— | | |
| £ s. d. | | |
| Receipt from Egypt .. .. 36,000 0 0 | | |
| „ „ Turkey .. .. 41,336 18 10 | | |
| | 77,336 18 10 | |
| | | 111 12 4 |
| Interest on temporary advances made by the Bank to meet dividends on Ottoman Loan— | | |
| February 1, 1878 .. .. .. .. | 175 12 1 | |
| „ 1, 1879 .. .. .. .. | 234 14 10 | |
| August 1, 1879 .. .. .. .. | 11 14 11 | |
| February 1, 1880 .. .. .. .. | 279 17 7 | |
| „ 1, 1881 .. .. .. .. | 30 18 4 | |
| August 1, 1881 .. .. .. .. | 27 12 1 | |
| | | 760 9 10 |
| Stamps on bills transmitted by the Turkish Government to meet dividends— | | |
| February 1, 1879 .. .. .. .. | 7 18 0 | |
| August 1, 1879 .. .. .. .. | 20 14 0 | |
| | | 28 12 0 |
| 2. For the ransom of Messrs. Synge and Suter .. .. .. | 25,044 9 6 | |
| Less— | | |
| Recovered from brigands .. .. .. .. | 241 5 2 | |
| | | 24,803 4 4 |
| 3. Dividend on Ottoman Loan, August 1, 1888* .. .. | .. | 41,448 11 2 |
| Total .. .. .. .. .. | .. | 781,470 19 0 |

* Referred to in the Chancellor of the Exchequer's letter as July 1, 1888.

SUMMARY.

| | According to the Calculations made by the British Government. | According to the Calculations made by the Turkish Government. |
|---|---|---|
| | £ s. d. | £ s. d. |
| Receipts by British Government .. | 826,741 16 0 | 834,174 0 0 |
| Expenditure by British Government .. | 781,476 19 0 | 714,324 9 4 |
| Balance .. .. | 44,264 17 0 | 119,849 10 8 |
| | £ s. d. | |
| Over-estimated by Turkish Government | 75,584 13 8 | |

No. 36.

*Colonial Office to Foreign Office.*—(*Received September 7.*)

*Downing Street, September 6, 1888.*

Sir,

I AM directed by the Secretary of State for the Colonies to transmit to you, for the information of the Marquis of Salisbury, with reference to the letter from this Department of the 7th ultimo, the inclosed correspondence relating to the salt tribute due from Cyprus to Turkey.

I am, &c.
(Signed) ROBERT G. W. HERBERT.

Inclosure 1 in No. 36.

*Treasury to Colonial Office.*

*Treasury Chambers, August 29, 1888.*

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to inform you that the Marquis of Salisbury has caused the recent correspondence between Mr. Caillard and Mr. G. Smith, respecting Cyprus salt, to be communicated to this Department.

My Lords would inquire whether Lord Knutsford can give any explanation of the idea of the Porte that, instead of a fixed tribute of 5,208 tons of salt free of charge, the Government of Cyprus was to surrender all the salt not required for local consumption at cost price.

My Lords would also inquire whether any salt whatever has yet been given to the Porte since the British occupation of Cyprus, and whether in the opinion of Lord Knutsford it would be open to the Porte, at any moment, to claim 5,208 tons for each year that has elapsed since June 1878.

I am, &c.
(Signed) R. E. WELBY.

Inclosure 2 in No. 36.

*Colonial Office to Treasury.*

*Downing Street, September 4, 1888.*

Sir,

I HAVE laid before Lord Knutsford your letter of the 29th ultimo on the subject of the salt tribute due in kind from Cyprus to Turkey, which it is proposed to hand over to Mr. Caillard on behalf of the Ottoman Administration of the Indirect Contributions.

I am to inclose, for their Lordships' perusal, in original, the correspondence which has taken place on the subject. It will be perceived that there is still some doubt whether Mr. Caillard will care to persist in the demand after the explanations which he has received; and that, in any case, he appears to be prepared to pay for the cost of extracting whatever salt is delivered to him.

Lord Knutsford is unable to explain why it was that the Porte assumed that the



Government of Cyprus was bound to surrender, not 5,208 tons of salt to the Porte, but "all the salt not required for local consumption at cost price." He thinks it may be what is called a clerical error. If the Porte should demand ten years' arrears of salt, that is, 52,080 tons, Lord Knutsford would be prepared to resist that claim by argument. As the Cyprus Government has been willing every year to deliver the salt due for that year, and as the Turkish Government has not claimed the salt in any year, or answered the inquiries of this Department as to its wishes and intentions, his Lordship considers that the claim of the Turkish Government dies with the year in which it accrues.

I am, &c.
(Signed) R. H. MEADE.

No. 37.

*Sir W. White to the Marquis of Salisbury.*—(*Received September 8.*)

(No. 344.)

My Lord,

*Therapia, September 4, 1888.*

SINCE the announcement I had the honour to make to your Lordship in my despatch No. 393 of the 27th December, 1887, I have abstained from touching upon the subject of the growing financial difficulties of the Sublime Porte.

At this moment the pay of the Ottoman Diplomatic and Consular services, as well as those of persons holding contracts to insure payments through the Ottoman Bank, are full five months in arrears.

In the provinces, the civil and judicial services appear to be paid more regularly; but in the capital they have only received a fortnight's pay at Baïram and one month's at the second Baïram since the commencement of the new financial year on the 1st and 13th April, 1888.

The arrears of previous years are compounded for by usurers and middle-men, so that these payments go out of the Treasury, but do not enter the pockets of the public servants to their full amount.

The Finance Minister, Mahmoud Djelaladdin Pasha, whose appointment I had the honour to report in the despatch above referred to, was dismissed suddenly on the eve of the last Baïram holidays on the 9th August, and has not yet been replaced, Agop Pasha, Minister of Civil List, acting *ad interim*.

I have, &c.
(Signed) W. A. WHITE.

No. 38.

*Mr. Caillard to Foreign Office.*—(*Received September 10.*)

Dear Sir Julian Pauncefote,

*Constantinople, September 4, 1888.*

WITH regard to your letter of the 7th July concerning my request as to the excess salt in the Island of Cyprus, I beg to inclose you the copy of a letter from me to the Acting Chief Secretary of the High Commissioner's Office in that island, dated the 14th August, which will show you how the question has ended.

I hope you will allow me again to thank you for the kind interest you have taken in the matter. I should apologise for not having written to you before, in order to tell you the result of my correspondence with the Government of Cyprus. I hope you will excuse me; for the last month I have had a great pressure of work.

I am, &c.
(Signed) VINCENT CAILLARD.

Inclosure in No. 38.

*Mr. Caillard to Mr. G. Smith.*

Sir,

*August 14, 1888.*

I HAVE to acknowledge the receipt of your letter of the 24th ultimo in answer to mine of the 5th ultimo on the subject of the delivery of salt by the Cyprus Government to my Administration.

I am much obliged to you for the information you have been kind enough to give me, and very glad to know that I have been misinformed as to the exportation of salt from Cyprus to the Turkish shores. As my only object in applying for the salt collected in Cyprus in excess of that required for local consumption was to prevent the feeding of an illicit trade, and as it turns out that Cyprus salt does not feed that trade, I have no proposals to make, and can only thank you again for the courtesy with which you have put me in possession of the real facts.

I am, &c.
(Signed) VINCENT CAILLARD, *President.*

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No. 39.

*Colonial Office to Foreign Office.*—(*Received September* 19.)

*Downing Street, September* 18, 1888.

Sir,

WITH reference to previous correspondence, I am directed by Lord Knutsford to transmit to you, for the information of the Secretary of State for Foreign Affairs, the inclosed copy of a despatch from Her Majesty's High Commissioner in Cyprus, inclosing a copy of a letter from M. Caillard, from which it appears that that gentleman does not propose to ask for the salt due in kind this year by Cyprus as part of the Tribute.

I am, &c.
(Signed) R. H. MEADE.

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Inclosure 1 in No. 39.

*Sir H. Bulwer to Lord Knutsford.*

*Troodos, August* 30, 1888.

My Lord,

IN connection with my despatch of the 24th ultimo, I have the honour to forward, for your Lordship's information, a copy of a further letter which has been received from M. Caillard. This letter is in acknowledgment of the communication which I caused to be addressed to him on the 24th July in reply to the subject of his letter of the 7th July.

2. As it would appear that the Ottoman Debt Administration do not now wish to take any salt from Cyprus, I do not propose to raise any quantity this year to meet the payment in kind due to the Porte under the Convention of June 1878.

I have, &c.
(Signed) H. BULWER, *High Commissioner.*

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Inclosure 2 in No. 39.

*M. Caillard to Mr. G. Smith.*

*Constantinople, August* 14, 1888.

Sir,

I HAVE to acknowledge the receipt of your letter of the 24th ultimo in answer to mine of the 5th ultimo on the subject of the delivery of salt by the Cyprus Government to my Administration.

I am much obliged to you for the information you have been kind enough to give me, and very glad to know that I have been misinformed as to the exportation of salt from Cyprus to the Turkish shores, as my only object in applying for the salt collected in Cyprus in excess of that required for local consumption was to prevent the feeding of an illicit trade; and as it turns out that Cyprus salt does not feed that trade I have no proposals to make, and can only thank you again for the courtesy with which you have put me in possession of the real facts.

I am, &c.
(Signed) VINCENT CAILLARD, *President.*

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[No. 40.

*Mr. Caillard to the Marquis of Salisbury.*—(*Received October* 1.)

*Constantinople, September* 25, 1888.

My Lord,

I AM anxious to put you in possession, as briefly as possible, of a few facts concerning the Concession for the construction of a railway from Ismidt to Angora. It being evident that those who should obtain this Concession would ultimately have the command of the construction of the whole network of railways in Asia Minor, I was determined that, as far as possible, it should be secured for an English group. I had great difficulty in forming this group, but in the end succeeded. I was also met at the outset with the principle (laid down with great definiteness by Baron Blanc) that this Concession must pass into the hands of an Anglo-Italo-German group, from which every kind of French element was to be excluded. I was exceedingly glad to admit this principle, and, without entering into details, may inform your Lordship that I succeeded in forming such a group; at all steps I have been favoured with the cordial approval and assistance of Baron Blanc and of M. de Radowitz. The result has been that the day before yesterday the Sultan issued an Iradé, conferring the Concession upon the Deutsche Bank, His Majesty being ignorant that the Deutsche Bank is co-concessionnaire with an English group and an Italian group. For the moment, I believe, it is best to leave him in that ignorance.

The principal other competitors in the field were: The Imperial Ottoman Bank and a group represented by MM. Alt, Sufelder, Collas, &c. These two groups have now, I am told on high authority, joined, in order to endeavour to prevent the present Iradé from being carried into force, and to obtain the Concession for themselves. I have already had the honour of explaining to your Lordship why it is most unadvisable that the Imperial Ottoman Bank should obtain this Concession. The other group mentioned is almost wholly French, the only English element being the person of Mr. Alt. I am aware that, in regard to this latter gentleman, Sir William White received an invitation some time back to afford him such support as he could. I have not applied to your Lordship hitherto for any support in the matter, as I believe your Lordship to prefer leaving matters of this sort to individual effort. But I venture to suggest to your Lordship now that a powerful English group, in combination with German and Italian establishments, strongly supported by their respective Ambassadors, has secured the Concession, it would be well to withdraw the instructions to Sir William White, who has, however, of course, intimated nothing whatever to me on the subject in regard to Mr. Alt, as I submit that they may now only be embarrassing to him, and do not fall in with the exigencies of the present situation. I will not trouble your Lordship with further details; should you, however, require them, I have written by this post to Sir Thomas Sanderson on the subject. Trusting that the importance of the matter may prove sufficient excuse for my having addressed your Lordship about it, I have, &c.

(Signed) VINCENT CAILLARD.

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No. 41.

*Mr. Wilkin to Foreign Office.*—(*Received October* 1.)

14, *Queen Victoria Street, London, October* 1, 1888.

Sir,

SINCE I had the honour of addressing you on the 3rd August, 1888, the lessees have been in constant communication with the Turkish Government, with the view of obtaining the Concession for the extension of the Haïdar-Pasha to Ismidt Railway.

These negotiations were, as the lessees thought, progressing satisfactorily, when all of a sudden it was reported to them that the Government had concluded (without, of course, the knowledge of the lessees) a Convention with a certain M. Kualla, who, it seems, represents some German firms.

The lessees lost no time in appealing to the Ottoman Government, asking that a copy of the said Convention should be submitted to them in order to see how far they could exercise their option which their existing Concession confers upon them, that is, that they have the preferential right on equal terms over all other competitors.

The Ottoman Government, however, I regret to say, raised considerable difficulties on this point, and declined to submit a copy of the Convention concluded with M. Kualla, thus not only placing the lessees at a great disadvantage, but also with-

holding from them their just rights in accordance with the Article IX of the existing Concession.

I have just received a telegram from the lessees at Constantinople, confirming the report that the Convention with M. Kualla has been actually signed, and that the Ottoman Government entirely ignore the preferential rights of the lessees, and have given notice to them that they (the Government) will exercise what they call their right under Article IX to take the line, and they also state that they intend to obtain immediate possession of it instead of in October 1889, as per Article IX of the Convention and Article 49 of the "Cahier des Charges," and without previously making any settlement whatever with the lessees.

Now, in addition to the said Article IX of the Convention, it is distinctly stated in Article 49 of the "Cahier des Charges" that four months' notice must be given to the lessees by the Government before taking the line at any time before the expiration of the lease; and by the last clause of Article IX of the Convention, the taking over the line by the Government shall be in the month of October of any year previous to the expiration of the lease; therefore, even if the Government could justly and rightly take the line from the lessees, it must be by notice of four months expiring in the month of October. Consequently, the time for exercising such right on the part of the Turkish Government is at an end so far as concerns the present year 1888.

It is unnecessary for me to make any comments on this arbitrary proceeding on the part of the Ottoman Government, as I have no doubt that the facts which I have briefly stated will be sufficient to enable you to form your own opinion upon the subject; but I venture to hope that you will see the importance that such steps as are necessary should be taken by the Foreign Office to protect the interests of British subjects.

The lessees have been negotiating for these extensions for nearly nine years, and they have expended very large sums of money, not only on the existing line, but also for the survey in connection with the proposed extensions; and at the last moment the Ottoman Government do not only withhold their just rights from them, but actually threaten to take their existing line out of their hands, thus leaving them without any security whatever for the enormous outlay they have incurred.

As matters are now very critical, and time is a great object, it may be that serious consequences may ensue before even a written despatch from the Foreign Office by mail could reach Her Majesty's Representative at Constantinople. May I ask, therefore, if you would kindly telegraph to Sir William White that he should communicate with the Ottoman Government and protest against such extreme measures, which might otherwise be attended with serious complications.

Such a course would give time for mutual explanation, and, perhaps, bring about a conclusion which would do justice to all interests concerned.

I have, &c.
(For the Lessees of the Imperial Haidar-Pasha to Ismidt Railway),
(Signed) MARMADUKE WILKIN.

Copies of Articles IX of the Convention and 39 of the "Cahier des Charges," referred to above, inclosed herewith.

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Inclosure in No. 41.

*Convention.*

ARTICLE IX. A toute époque de la location le Gouvernement Impérial aura le droit d'en effectuer le rachat, moyennant le paiement:—

1. De toutes les dépenses résultant, pour les locataires, des obligations par eux prises, aux termes de l'Article V ci-dessus, sans autre intérêt et déduction faite de la partie du capital déjà amorti;

2. Plus une indemnité de 100,000 fr.

Le Gouvernement reconnaît, par contre, aux locataires le droit de préférence, à conditions égales, sur toute autre Société pour toute extension de la présente ligne.

La ligne et l'embranchement de Phéner-Baghdjé seront remis au Gouvernement contre le paiement des sommes ci-indiquées.

La remise du chemin de fer et la reprise des objets devront être faites, dans ce cas, comme il est indiqué au Cahier des Charges, mais le Gouvernement devra acheter à dire d'experts tous les approvisionnements. La dite remise sera faite dans le mois d'Octobre qui suivra la demande de rachat.



*Cahier des Charges.*

Article 49. En cas de reprise de la ligne par le Gouvernement avant l'expiration de la location, notification devra en être faite aux locataires au moins quatre mois à l'avance.

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No. 42.

*The Marquis of Salisbury to Sir W. White.*

(No. 295.)
Sir, *Foreign Office, October 2, 1888.*

I TRANSMIT to your Excellency herewith copies of letters from Mr. Caillard, as marked in the margin,* explaining the circumstances under which a Concession has been granted by the Porte to the Deutsche Bank for an extension of the Haidar Pasha-Ismidt Railway to Angora.

Your Excellency will perceive that Mr. Caillard states that this Concession is to be worked by an Anglo-German-Italian group, and urges that your Excellency should be instructed not to take any further steps in support of the claims of the present lessees of the Haidar Pasha-Ismidt Railway.

I also inclose copy of a letter from Mr. Wilkin,† in which, on behalf of the said lessees, he protests against the action of the Porte in this matter, and appeals for the assistance of Her Majesty's Government.

In view of these conflicting interests and pretensions, I have to request your Excellency to furnish me, at your early convenience, with a Report upon the present situation of this question at Constantinople.

I am, &c.
(Signed) SALISBURY.

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No. 43.

*The Marquis of Salisbury to Sir W. White.*

(No. 296. Ext. 114.)
Sir, *Foreign Office, October 2, 1888.*

IT appears from Mr. Wilkin's letter, copy of which was inclosed in my despatch No. 295 of to-day, that the Porte have threatened to take immediate possession of the Haidar Pasha-Ismidt railway line.

The lessees, however, contend that they are debarred from doing so, without giving proper notice, by Article 9 of the Company's Concession, and Article 49 of the "Cahier des Charges."

This question seems altogether distinct from the Company's alleged preferential right to carry out extensions to the existing line, as to which I can express no opinion until I am in receipt of a Report from your Excellency.

I have therefore requested your Excellency to-day, by telegraph, to urge the Porte not to proceed to extremities against the actual lessees of the line pending an inquiry into the legality of the proposed seizure, as to which I should be glad to receive also a Report from your Excellency.

I am, &c.
(Signed) SALISBURY.

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No. 44.

*Sir W. White to the Marquis of Salisbury.—(Received October 8.)*

(No. 377.)
My Lord, *Therapia, September 29, 1888.*

FROM my previous official correspondence, and more especially from my Memorandum on the construction of Asiatic railways of the 25th July, 1887, your Lordship has been made acquainted with my views on that subject, which, I am happy to say, have met with your approbation and with that of competent military authorities.

* No. 40. † No. 41.

Since I have given attention to this subject I have always held that the construction of those railways was of extreme importance, commercially and strategically; that it would be most difficult to obtain a Concession for them unless under quite exceptional circumstances, and the formation of an exclusively English Syndicate for that purpose would only enhance these difficulties: first, by rousing the Sultan's suspicions; secondly, by calling into existence a large number of powerful opponents and rivals; thirdly, by forcing upon Her Majesty's Embassy, and even upon Her Majesty's Government, an attitude in their support, which it was most undesirable for them to assume, and which might ultimately cause serious inconvenience and unnecessary responsibility, both on account of the unsatisfactory manner in which Concessions are worked in the East, to which I need not allude in detail, and to the increasing insolvency of the Ottoman Empire.

I had the honour, in my despatch No. 62, Commercial, of the 4th May, to forward to your Lordship a series of Regulations approved by the Sultan, which have been published, on the subject of the construction of the line from Ismidt to Angora, about 480 kilom. in length.

On 9th July, 1888, a tender was presented to the Porte by a French Syndicate in the name of Aubaret Level, taking advantage of the principles laid down in the above Imperial Iradé for the construction of that line.

M. Aubaret is the representative of the French Council of Foreign Bondholders at Constantinople. He is, moreover, Director of the Committee of the French "Société de Raccordements," and in both capacities connected with the French financial ring of capitalists having dealings with Turkey and with the Imperial Ottoman Bank.

I need say no more on this point, as I have no doubt that the subject of the preponderance of French capitalists here is quite fresh in your Lordship's memory from the correspondence to which I had the honour to refer in my despatch No. 201, Confidential, of the 1st August, 1888.

The Ambassadors of Germany and Italy, in following out the line of policy approved of by their respective Governments, were extremely desirous that some independent Syndicate should at once come forward to take the field with a view to obtain this important Concession; and although I am not acquainted with the steps they took for that purpose, it became known only that a M. Kaulla had come over from Germany, together with an engineer of the name of Pressel, to compete for this Concession for a German Syndicate.

M. Kaulla is a nephew of Baron de Worms, from whom he brought me a letter of introduction in the winter of 1887.

To all those who have given their attention to the interests of the Ottoman Empire, it is obvious that the construction of a line from Ismidt to Angora, which might be continued later on to Bagdad, is of the utmost importance, and that further delay (from whatever cause) would have very serious consequences, on which I need not dilate, as the subject has been previously brought before your Lordship.

By a most extraordinary concourse of circumstances, M. Kaulla has now completely succeeded in securing the Concession for the Syndicate he represents, which consists, among others, I believe, of "Die Deutsche Bank," "Die Wurtemberger Vereins-Bank," and which, I have no doubt your Lordship will be glad to hear, has been joined by British firms, represented on this occasion by Mr. Vincent Caillard.

I beg to inclose copy of a letter addressed to me on the subject by Mr. Caillard on the 24th instant.

As it was evident that great secrecy was to be observed as to this English participation with a view to success, I carefully abstained from showing any interest in the success of this scheme, which, I understand, has been brought to a satisfactory issue, evidently through German support at the Palace. That the Sultan should have sanctioned this scheme at a moment when he had a visit of Imperial Grand Dukes, and when his mind was greatly disturbed by events in his own household (recorded in separate despatch No. 372), is a fact quite unprecedented.

But the real cause of the success of this venture consists in the fact of the German Syndicate offering simultaneously a loan of £ T. 1,500,000, whilst the Ottoman Bank was asking far higher terms for a similar, though larger, loan in connection with the French Syndicate.

I doubt strongly any English Railway Syndicate being prepared to enter, at the same time with a railway Concession, into loan transactions of any kind; and that is why I consider the success of the German scheme, especially with the participation of English capital, as one of the most desirable things for British interests and for the Ottoman Empire that could have happened.



Your Lordship may perhaps remember the following passage in my Memorandum above referred to:—

"If such an offer comes at a moment when the Treasury is particularly pinched for money, it may help to carry the point."

It is evident that the present financial crisis is an unusually acute and painful one, and that is why the combination of this railway scheme with a loan rendered both successful.

I will not fail to forward a copy of the Concession as soon as it has been signed, which, I understand, will be in a day or two.

I trust also that my abstention from taking a part in such an important result will not be disapproved by your Lordship, as I had no particular motive to ask your Lordship for authority to act otherwise.

As Colonel Alt, a British subject, has, in connection with some other British and foreign subjects, an interest in the Haidar-Pasha Railway, which has formed the subject of a lengthy correspondence in previous years, it would have been highly undesirable that Her Majesty's Embassy should have interfered in a Concession in which Colonel Alt deems he has interests on one side, whilst those of the capitalists, represented by Mr. Caillard, were on the other.

I hope your Lordship will excuse the unusual length of this despatch, which will, however, leave still some points untouched, on which I shall have the honour to report on some future occasion.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure in No. 44.

*Mr. Caillard to Sir W. White.*

Sir, *Constantinople, September 24, 1888.*

I HAD the honour, before the arrival of Mr. Austin here, to acquaint your Excellency with the fact that I intended making a proposal to the Turkish Government in regard to the Ismidt-Angora Railway Concession on behalf of a powerful English group. I informed your Excellency at the same time that we should welcome the participation of German and Italian houses in the business, but should exclude that of both French and Austrian houses. Your Excellency was good enough to reply that you would be glad to hear the result of my negotiations.

I beg now to inform your Excellency that I have been entirely successful so far, and that yesterday evening His Majesty the Sultan issued an Iradé conferring the Concession of the group of which I had previously written to you. I should inform your Excellency that I have persistently pressed upon my friends in London the absolute and urgent necessity of securing the co-operation of a first-class German house or group of houses; the co-operation of an Italian group was already secured to me.

I regret to say that they failed to grasp the situation as I depicted it to them, and have delayed securing German co-operation in the most regrettable manner. In the end, I took the responsibility of myself writing to certain German houses, and some three weeks ago a M. Kaulla, representative of the Deutsche Bank and group, arrived at Constantinople. I had previously put myself in communication with his Excellency M. de Radowitz concerning this matter, and his Excellency was good enough to recommend M. Kaulla to come to terms with me as soon as possible. After some negotiation, M. Kaulla and myself succeeded in coming to a satisfactory understanding, by which the German and English groups participate equally in the business, the Italian group forming a third party to it, whose share is deducted equally from the shares of the two others.

For reasons of policy perfectly clear to your Excellency, and which I need therefore not set forth, it was agreed between M. Kaulla and myself that I should appear to hang back without withdrawing my proposal, and that he should go entirely forward with a combined proposal for a loan and for the Ismidt-Angora Railway, upon which we had both previously agreed. This proposal was approved, as I had fully expected, by the Council of Ministers on Wednesday last, and forwarded immediately for the Imperial sanction, which was accorded, and the Iradé issued in consequence yesterday.

I am glad to be able to inform your Excellency of facts which I believe to be so highly important for English interests in the East. I should mention that I have the

formal assurance of M. Kaulla, that no French or Austrian houses will be admitted to participation in the business by the German group.

I am now about to venture to ask your Excellency to afford such assistance as you may be able to secure the English group, which I represent, in the rights accorded to it by the Iradé just issued. I have this day learnt on good authority that my principal competitors, viz., the Imperial Ottoman Bank and group, and a group represented by Messrs. Collas, Seefelder, and Alt, have decided to work together, in order to endeavour to prevent the above Iradé being put in force, and to secure the Concession for themselves. I submit that this is directly contrary to British interests; these two groups are in the main French, the only English element being Mr. (or Colonel) Alt himself, of whose previous history in the financial world your Excellency may have some knowledge, and who, I have good reason to know, has no English house acting with him. Further, it would be presumptuous in me to point out to your Excellency the political importance of the firm establishment in this country of a strong Anglo-Italo-German group. I venture therefore to rely with some confidence on your Excellency's taking my request into favourable consideration. I need hardly say that should your Excellency require further information I shall be very glad to afford it. I believe your Excellency will indorse my opinion, that it would be more politic for the present to keep the Turkish Government as well as my competitors in ignorance of the fusion of the German with the English group.

I have, &c.
(Signed) VINCENT CAILLARD.

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No. 45.

*Sir W. White to the Marquis of Salisbury.*—(*Received October* 8.)

(No. 382. Confidential.)
My Lord, *Therapia, October* 2, 1888.

I AM unable as yet to forward to your Lordship the text of the arrangements concluded by the Ottoman Government with the German banks represented by M. Kaulla for the construction of the Ismidt-Angora Railway line, and for a loan.

I understand that at the last moment it has been settled that the amount of this loan will consist of 1,500,000*l.* nominally, instead of that sum in Turkish pounds, as originally proposed.

As it is contracted for at 70, the Imperial Government would receive 1,050,000*l.*, for which the interest will amount at 5 per cent. per annum and 2 per cent. for sinking fund to 105,000*l.* a-year guaranteed on certain revenues hitherto not hypothecated, and to be collected by the Commissioner of the Public Debt.

Besides relieving the wants of the Ottoman Treasury for a time from the complete penury in which it has been for months, it constitutes an important step in the direction of an emancipation from French financial predominance, of which we have heard so much lately.

But this result cannot be brought about unless English and Italian capital participates in these financial operations to a sufficient extent so as to prevent this transaction from being a purely Teutonic one. Of this I hear there is much hope.

The efforts in this direction are mainly due to the initiative and activity of Baron Blanc and the interest which the German Imperial Chancery (Foreign Office) has shown in their success, and the encouragement it has given to these schemes in Germany and here have produced this result.

Of course, much depends still on the co-operation of British financiers and engineers, as without this, which, however, must entirely depend on private initiative, the aim of Baron Blanc could not be fully attained.

I understand that Turkish securities have quite lately found a ready market in Germany; this is, no doubt, due to the interest awakened in Berlin in these financial operations at Constantinople.

This is a novelty worth observing, as no doubt it has, like everything encouraged by Prince Bismarck, a significance and a political object in view.

I should not be surprised to hear of a counter-movement on the part of financial circles in Paris.

I have, &c.
(Signed) W. A. WHITE.

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No. 46.

*Sir W. White to the Marquis of Salisbury.*—(*Received October* 8.)

(No. 388. Confidential.)
My Lord, *Therapia, October* 2, 1888.

IN speaking of the new departure taken by Turkey for combining a loan with the commencement of its Asiatic railways, I think I ought to say something of Agop Pasha, who has now temporary charge of the Ministry of Finance.

His Excellency is the Minister of the Sultan's Civil List, is a very able and upright Administrator, and was Minister of Finance from December 1886 to March 1887, during not quite three months, when he had to retire, partly on account of the obstruction caused by the Imperial Ottoman Bank in the payment of the salaries of the Turkish Diplomatic and Consular Services abroad, which payments were resumed in a couple of days after the appointment of another person as Agop's successor.

The Pasha enjoys the full confidence of the Sultan, but has, unfortunately, not worked harmoniously hitherto with the present Grand Vizier.

I have, &c.
(Signed) W. A. WHITE.

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No. 47.

*Sir W. White to the Marquis of Salisbury.*—(*Received October* 12.)

(No. 387.)
My Lord, *Therapia, October* 5, 1888.

WITH reference to your Lordship's telegram No. 114 of the 2nd instant, relative to the assistance to be given by Her Majesty's Embassy to Colonel Alt in protecting the interests of the locataires of the Haidar Pasha Railway, I have the honour to inform your Lordship that that gentleman has repeatedly called at this Embassy and urged me to take action at the Porte on his behalf.

Although, as your Lordship is aware, I am very unwilling to interfere in matters of this kind, involving the conflicting interests of various British subjects, it nevertheless appeared to me that it would be well to promote an amicable arrangement between Colonel Alt and the Porte, and thus obviate the seizure of the line which the former represented to be under contemplation.

I accordingly addressed a *note verbale* to the Sublime Porte on the 1st instant, inquiring how it intended to deal with the rights of the locataires, and I at the same time directed Sir A. Sandison to speak to the Grand Vizier.

Sir A. Sandison now reports in a Memorandum, of which I have the honour to inclose a copy, that the Grand Vizier informed him that there was no intention of taking any precipitate action, and that he would be glad if Her Majesty's Embassy would recommend Colonel Alt to proceed to the appointment of two persons who would examine on his behalf the outstanding accounts of the line. I have accordingly caused a letter to be written to Colonel Alt (copy inclosed) informing him of this proposal, and stating that, in my opinion, he would do well to endeavour to arrange the matter without my assistance by resuming at once communications with the Sublime Porte and satisfying any fair demands it may make.

I should add that, in the absence of any authorized interpretation of Article IX of the Haidar Pasha Railway Convention of 1880, and as the competency of the Ottoman Tribunals does not appear to be contested, I am of opinion (subject to your Lordship's approbation) that diplomatic intervention ought to be postponed until the British subjects who, with other foreigners, are interested in this matter have exhausted the legal means at their disposal for arriving at a settlement.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure 1 in No. 47.

*Memorandum by Sir A. Sandison.*

I HAVE the honour to report that, on my communicating yesterday to the Grand Vizier your Excellency's instructions respecting the contemplated seizure of the

Haidar Pasha-Ismidt Railway, his Highness stated, in reply, that there was no intention of taking any precipitate action in the matter, and that he would be glad if Her Majesty's Embassy would recommend or advise Colonel Alt to proceed to the appointment of two persons who would examine on his behalf the outstanding accounts connected with the said line.

His Highness then added that there was a possibility of Colonel Alt being taken into the Kaulla combination, inasmuch as the latter has shown a good disposition to admit Colonel Alt's participation in the matter.

(Signed) A. SANDISON.

*Therapia, October* 5, 1888.

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Inclosure 2 in No. 47.

*Mr. Stronge to Lieutenant-Colonel Alt.*

Sir, *Therapia, October* 5, 1888.

I AM directed by Her Majesty's Ambassador to inform you that his Excellency yesterday caused inquiries to be made of the Grand Vizier as to the alleged intention of the Porte to seize the Haidar Pasha-Ismidt Railway, and that his Highness stated in reply that there was no intention of taking any precipitate action in the matter.

His Highness at the same time expressed a wish that Her Majesty's Embassy should recommend you to proceed to the appointment of two persons who would examine on your behalf the outstanding accounts connected with the line.

Her Majesty's Ambassador considers that this proposal deserves your careful consideration, and that, as there appears to be no probability of the immediate seizure of the line, you would do well to endeavour to arrange the matter without any immediate assistance of Her Majesty's Embassy by at once resuming communication with the Sublime Porte and satisfying any fair demands it may make.

I am, &c.

(Signed) F. W. STRONGE.

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No. 48.

*The Marquis of Salisbury to Sir W. White.*

(No. 315.)

Sir, *Foreign Office, October* 15, 1888.

I HAVE received your Excellency's despatch No. 377 of the 29th ultimo, reporting the circumstances under which a Concession for the construction of a line of railway from Ismidt to Angora has been granted to a German Syndicate, with whom certain British capitalists are associated.

Your abstention from all interference with the negotiations is approved by Her Majesty's Government.

Your Excellency will have learnt from my despatch No. 296 of the 2nd instant that the lessees of the Haidar-Pasha-Ismidt Railway complain that the Porte have threatened to take immediate possession of that line, and I am now awaiting a Report from your Excellency upon the legality of the proposed seizure.

You are also aware that the lessees claim a preferential right to carry out all extensions to the existing line.

Whatever may be the advantages offered by the new combination, the legal rights of the British subjects interested in the Haidar-Pasha-Ismidt line must not be ignored. I should wish your Excellency to take such steps as may be necessary to protect them from arbitrary proceedings on the part of the Porte, in violation of rights to which, in your Excellency's judgment, they have a clear legal claim.

I am, &c.

(Signed) SALISBURY.

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No. 49.

*Memorandum on the Haidar-Pacha to Ismidt Railway, and its Extension to Angora.—(Communicated by Colonel Alt, October* 16.)

IT is suggested that the Turkish Government may contend:—

1. That the lessees have failed to carry out the obligations imposed upon them by the Convention of April 1860.

2. That the Turkish Government could exercise their right to resume possession of the line, and so put an end to the right of preference.

3. That concessions for extensions of the line have been granted on previous occasions to the lessees which they were unable to carry out.

The following is the reply of the lessees upon these points:—

Contention No. 1 was put forward in March 1886, when Zuhdy Pasha was Minister of Public Works, and was definitely disposed of by the whole question of our relations with the Turkish Government under our Convention being examined before the Council of State, the highest legal Tribunal of the Empire, when we also put forward our claims against the Government for breaches of Convention on their part.

The result of a thorough investigation by the Council of State was, that that body decided that there should be a mutual abandonment of claims on both sides on condition that the extension of the line to Angora should be given to the lessees, the existing line from Haidar-Pacha to Ismidt, and the works already executed by the Government, being ceded gratuitously as part of the Concession.

These facts were fully set forth in a letter addressed by the agent of the lessees in Constantinople to the Minister of Public Works, under date the 17th February, 1888, and also in a letter by the Undersigned addressed to Sir William White on the 7th August of the same year, copies of which have already been handed to the Foreign Office. The fact of contention No. 1 not having been again brought forward until after a Concession for the extension to Angora was granted to a German subject, shows that the decision of the Council of State was recognized as finally disposing of it.

With regard to contention No. 2, Mr. E. H. Pollard and the Attorney-General, Sir R. E. Webster, in their joint opinion, dated the 23rd July, 1885, copy of which is at the Foreign Office, have already clearly expressed the opinion that even were the Government to exercise their right to resume possession of the line, and grant a Concession to third parties afterwards, the lessees' right of preference would not be invalidated. But the fact is that no such notice was ever given to the lessees until the 27th September last, after a Concession had been granted for the extension of the line to a German subject—M. Kaulla. This notice is contained in the letter of the Minister of Public Works addressed to M. Seefelder of that date, the 27th September, a copy of which is annexed. It cannot therefore be contended that the Government can now avoid the claim of the *locataires* to the Concession granted to M. Kaulla upon any plea that they can re-enter into possession of the line.

With regard to contention No. 3, it is not the fact that any Concession has been offered to the lessees which was possible of being carried out. During the nine years that the lessees have been negotiating with the Government various Concessions were agreed to with the Minister of Public Works, and sometimes with the Council of Ministers, but never received the Imperial sanction. Finally, however, in September 1887, a Concession was agreed to with the Minister of Public Works, and signed by the lessees and M. Schröder (a delegate of the Syndicate formed in London for carrying out the same), and which was submitted to the Imperial sanction. Instead, however, of receiving His Majesty's approval, it was referred to a Military Commission at the Palace, who returned it to the Sublime Porte with modifications of such a nature as to render it absolutely valueless and unworkable.

Subsequently to this the Government made public notification of the conditions upon which the Concession for the Angora line would be granted, a copy of which notification was handed to the Foreign Office in a letter from the Undersigned, dated the 3rd May, 1888. Under these conditions the lessees formed an International Syndicate, which, among other applicants, presented proposals for the extension of the line. The *locataires*, however, held aloof from any direct application in their own name, reserving to themselves the exercise of their right of preference if and when a definite Concession received the Imperial approval upon workable terms; and M. Kaulla, a German subject, having succeeded in obtaining this Concession, the *locataires* immediately declared to the Government their intention to exercise their right of preference, as per letter addressed to the Grand Vizier of the 25th September, a copy of which is annexed.

As bearing upon this, two letters were also addressed to the Minister of Public Works, under date the 27th and 29th September (copies hereto annexed), being replies to that Minister's letter of the 27th September, 1888, to which allusion has already been made. A perusal of these letters, namely, from W. J. Alt to the Grand Vizier, of the 25th September, from the Minister of Public Works to M. Seefelder, of the 27th idem, from W. J. Alt to the Minister of Public Works, of the 27th and 29th idem, will show the grounds upon which the Turkish Government attempt to evade the right of preference possessed by the *locataires*, and how such contention has been, so far, answered by them.

Up to the present date no reply has been received to these letters addressed to the Grand Vizier and Minister of Public Works, neither has any answer been received to M. Seefelder's long exposition of the situation, dated the 17th February, 1888, addressed to the Minister of Public Works, nor to the copy of the letter of the Undersigned to his Excellency Sir William White, of the 7th August, 1888, which the Ambassador communicated to the Minister for Foreign Affairs at Constantinople.

(For the *locataires* of the Haïdar-Pacha to Ismidt Railway),
(Signed) W. J. ALT.

14, *Queen Victoria Street, London,*
*October* 15, 1888.

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Annex 1.

*Colonel Alt to Kiamil Pasha.*

*Constantinople, le* 25 *Septembre*, 1888.

Altesse,

LE 21 Septembre courant votre Altesse a bien voulu porter à notre connaissance que le Gouvernement de Sa Majesté Impériale ayant approuvé parmi les propositions qui étaient soumises celle présentée par M. Kaulla pour la construction de la ligne d'Ismidt à Angora, Sa Majesté le Sultan l'avait également approuvé et elle nous déclarait que, pour le cas où nous voudrions user de notre droit de préférence à conditions égales, cette Concession nous serait donnée.

M. L. Seefelder a déclaré le lendemain de cette communication à votre Altesse, au nom des locataires, que ceux-ci étaient décidés à user de ce droit et répétait hier cette même déclaration à la Sublime Porte, où il avait été convoqué.

Ayant promis de faire parvenir aujourd'hui notre réponse définitive et officielle, nous avons l'honneur de la soumettre à votre Altesse.

Les locataires useront de droit de préférence à conditions égales que leur donne l'Article IX de leur Convention du bail de la ligne de Haïdar-Pacha-Ismidt, et prient le Gouvernement Impérial Ottoman de vouloir bien leur faire parvenir le texte définitif de la Convention arrêtée, pour être mis à même de pouvoir se prononcer en parfaite connaissance de cause.

Veuillez, &c.
(Pour les locataires du Chemin de Fer de Haïdar-Pacha-Ismidt),
(Signé) W. J. ALT.

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Annex 2.

*Zihni Pasha to M. Seefelder.*

*Constantinople, le* 15 (27) *Septembre*, 1888.

Monsieur,

DEPUIS quelque temps la situation dans laquelle se trouvent les locataires de la ligne de Haïdar-Pacha à Ismidt a beaucoup occupé le Gouvernement Impérial, qui s'est toujours efforcé de la ramener dans une voie normale en examinant avec bienveillance toutes les propositions qu'ils lui avaient présentées en vue de l'extension de la ligne et en même temps du réglement des difficultés pendantes entre eux et le Département des Travaux Publics.

Cependant les conditions et les projets que vous avez soumis à cet effet n'étaient pas de nature à être acceptés par le Gouvernement Impérial, et les pourparlers successifs qui ont eu lieu à cette occasion n'ont fait que prolonger et aggraver une situation déjà fort irrégulière.



Aussi le Gouvernement Impérial ne pouvant différer plus longtemps le prolongement de la ligne et maintenir un contrat de bail dont vous n'avez pas respecté les stipulations en entier, et les dernières propositions que son Altesse le Grand Vizir vous a faites n'ayant pas été acceptées par vous, a résolu pour des raisons d'intérêt général de résilier le bail et de reprendre la ligne en exerçant la faculté que lui donne l'Article 9 du dit Contrat.

Quant aux demandes que vous avez formulées à l'encontre du prise du loyer et des autres réclamations du Ministère des Travaux Publics le Gouvernement Impérial, animé du désir d'arriver à l'amiable à un réglement équitable, a jugé opportun d'instituer une Commission sous la présidence de son Excellence Hassan Fehmi Pacha et composée de Gabriel Effendi, Conseil de la Sublime Porte, de Mr. Galland, Conseiller Technique de mon Département, et de deux autres personnes à désigner par vous.

Cette Commission devant avoir pour mission d'entendre les parties et de soumettre son rapport à la Sublime Porte, je vous prie de me faire connaître les noms des personnes que vous aurez désignées et de vous entendre avec moi au sujet des dispositions à prendre à la suite de la présente notification pour la remise de la dite ligne.

Agréez, &c.
Le Ministre,
(Signé) ZIHNI.

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Annex 3.

*Colonel Alt to Zihni Pasha.*

*Constantinople, le* 17 (29) *Septembre*, 1888.

M. le Ministre,

PAR votre honorée lettre en date du 15 (27) Septembre, 1888, dans laquelle votre Excellence formule à la charge des locataires de la ligne de Haïdar-Pasha-Ismidt certains reproches que nous repoussons, votre Excellence nous informe:

Que le Gouvernement Impérial ne pouvant différer plus longtemps le prolongement de la ligne et maintenir le contrat de location, et les dernières propositions que son Altesse le Grand Vizir nous a faites n'ayant pas été acceptées par nous, a résolu de résilier le bail et de prendre la ligne, exerçant la faculté que lui donne l'Article 9 du dit Contrat.

Qu'une Commission, dans laquelle nous aurions le droit de désigner deux membres sur cinq, serait chargée d'examiner les réclamations réciproques préexistantes.

Que nous eussions à nous entendre avec votre Excellence au sujet des dispositions à prendre pour la remise de la ligne.

Nous avons eu l'honneur de réfuter immédiatement par une lettre brève, qui a été remise le même jour entre les mains de votre Excellence, ce qui était relatif aux dernières propositions que nous a faites son Altesse le Grand Vizir.

Nous venons aujourd'hui (hier c'était Vendredi) nous expliquer à ce sujet et donner aussi réponse à l'ensemble de votre susdite lettre ainsi qu'il suit:

Il est regrettable que la lettre de votre Altesse paraisse vouloir ignorer la question importante qui a surgi entre le Gouvernement Impérial et nous, à laquelle il n'est fait allusion que par les mots "propositions de son Altesse le Grand Vizir," pour ne s'occuper que de celle du rachat de la location et des règlements et arrangements à intervenir à la suite de ce rachat.

Nous n'avons jamais disputé au Gouvernement Impérial le droit de rachat découlant pour lui de l'Article IX de notre Convention pourvu que les différends préexistantes soient au préalable réglés et que la demande de la remise de la ligne ne soit pas prématurée, comme dans le cas actuel, mais fait avec égard aux délais resultant de l'Article IX, § 2, alinéa dernier, de la Convention combiné avec l'Article 49 du Cahier des Charges.

Pour tous ces différends le Gouvernement Impérial peut être certain que nous le seconderons dans la mesure du possible et sous une forme à trouver dans les désirs dont il déclare être animé d'arriver à l'amiable à un réglement équitable, ainsi que nous l'avons constamment fait depuis 1880; mais la question n'est pas là.

En échange du droit de rachat de la location réservée au Gouvernement Impérial, le même Article IX de la Convention réserve aux locataires de la ligne de Haïdar-Pacha-Ismidt le droit de préférence, à conditions égales, sur toute autre Société pour toute extension de la susdite ligne.

M. Kaulla ayant fait au Gouvernement Impérial, pour l'extension de cette ligne, des propositions qui ont, paraît-il, rencontré l'agrément de ce dernier, nous avons à

plusieurs reprises, verbalement et par lettre du 25 Septembre dernier, adressé à son Altesse le Grand Vizir, déclaré maintenir notre droit de préférence et de faire communication du texte des Conventions arrêté avec M. Kaulla, pour délibérer en parfaite connaissance de cause.

Mais son Altesse le Grand Vizir a exigé de nous une chose impossible. Il a exigé que nous exercions notre droit de préférence sans connaître ces Conventions, sans connaître le Cahier des Charges, sans connaître les Statuts de la Société à former, et sans vouloir nous accorder le délai strictement nécessaire pour délibérer.

Telles ont été les propositions de son Altesse le Grand Vizir auxquelles la lettre de votre Excellence fait allusion, propositions et lettre dont le but est évidemment celui d'éluder l'exercice de notre droit de préférence.

En présence de cette situation anormale que le Grand Vizir nous crée, nous venons, par la présente lettre, que nous considérons valoir acte judiciaire aux termes de l'Article 92 de l'appendice au Code de Commerce, d'autant plus que la notification de votre Excellence est faite elle-même sous forme de lettre, vous déclarer, M. le Ministre, avec tous les égards qui vous sont dûs:

Que nous avons maintenu et maintenons notre droit de préférence stipulé à l'Article IX de notre Convention;

Que nous mettons le Ministère des Travaux Publics, représenté par votre Excellence, respectivement le Gouvernement Impérial, en demeure de nous donner communication du texte de tous actes et Conventions passés avec M. Kaulla, ou tous autres pour l'extension de la ligne de Haïdar-Pacha-Ismidt, pour nous mettre en état de pouvoir nous prononcer et délibérer, avec parfaite connaissance de cause.

Que nous mettons le Ministère des Travaux Publics, représenté par votre Excellence, respectivement le Gouvernement Impérial, en demeure: d'avoir à nous accorder un délai de six semaines à partir de la susdite communication pour conférer avec le Syndicat de nos capitalistes et lever option. Ou tout au moins à désigner, d'accord avec nous, des experts ou arbitres pour déterminer le maximum de ce délai. Sous réserve, à défaut de le faire faire en justice et sous toutes autres réserves et peines de dommages-intérêts.

Ci-inclus derechef copie de la lettre adressée le 25 Septembre à son Altesse le Grand Vizir et de celle adressée à vous-même le 15 (27) du même mois.

Veuillez, &c.

(Pour les locataires du Chemin-de-Fer de Haïdar-Pacha-Ismidt,

(Signé) W. J. ALT.

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No. 50.

*The Marquis of Salisbury to Sir W. White.*

(No. 316.)

*Foreign Office, October* 16, 1888.

Sir,

I HAVE received your despatch No. 387 of the 5th instant, upon the subject of the position and claims of the lessees of the Haïdar-Pacha-Ismidt Railway.

Her Majesty's Government approve the steps which you have taken in this matter, and concur generally in your views as expressed in that despatch.

I am, &c.

(Signed) SALISBURY.

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No. 51.

*The Marquis of Salisbury to Sir W. White.*

(No. 121.)
(Telegraphic.)

*Foreign Office, October* 18, 1888, 6·15 P.M.

AUSTRIAN Chargé d'Affaires brought me a note addressed by Baron Blanc to the Porte, which had been communicated by Nigra, announcing that the Italian Government intended to propose to its allies that they should institute an inquest into the privileges and conduct of the Ottoman Bank, to which was owing the inability of the Porte to pay its debts to certain Italian subjects.

Have you heard anything of this?

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No. 52.

*Foreign Office to Colonel Alt.*

*Foreign Office, October* 18, 1888.

Sir,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of a Memorandum from you with inclosures, dated the 15th instant, on the subject of the position and claims of the lessees of the Haïdar-Pasha-Ismidt Railway.

I am to state that Her Majesty's Ambassador at Constantinople has authority to take such steps as may be necessary to protect the British subjects interested in the Haïdar-Pasha-Ismidt Railway from arbitrary proceedings on the part of the Porte in violation of rights to which, in his Excellency's opinion, they have a clear legal claim, but that Lord Salisbury concurs in the view expressed by Sir W. White, that diplomatic intervention should be postponed until the parties interested have exhausted all the legal means at their disposal for arriving at a settlement.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

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No. 53.

*Sir W. White to the Marquis of Salisbury.—(Received October* 19, 4·5 P.M.)

(No. 75.)
(Telegraphic.)

*Constantinople, October* 19, 1888, 12·5 P.M.

YOUR Lordship's telegram No. 121 of yesterday.

The Italian Ambassador called the attention of the Porte a month ago in connection with pecuniary claims of Italian subjects to the shortcomings of the Ottoman Bank; but though his Excellency mentioned the desirability of an inquiry by the Powers into this subject, such inquiry, in his Excellency's opinion, has been going on by the fact of each Ambassador having reported what he thought of the financial drawbacks to his own Government, and I believe there exists no intention whatever of proposing an international inquiry, especially now that important Concessions have been given by the Sultan to promoters altogether independent of the objectionable influences complained of.

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No. 54.

*Sir W. White to the Marquis of Salisbury.—(Received October* 22.)

(No. 395.)

*Therapia, October* 11, 1888.

My Lord,

WITHIN the last two years I do not remember a single fact affecting the Ottoman Empire equally important with the Concession just granted to a German Syndicate for a railway line to be constructed from Ismidt to Angora in Asiatic Turkey.

The pecuniary requirements of the Treasury were so great and urgent that, unless the Kaulla combination had succeeded, both the new loan and this Concession would have fallen into French hands, bringing on the reprehensible consequences described by me in my despatch No. 201, Confidential, of the 1st August (towards the end).

It was to avoid this danger that Baron Blanc, M. de Radowitz, and Dr. Busch had written to their Governments descriptions on the subject of the preponderance of French capitalists, and that I believe Count Hatzfeldt approached your Lordship.

It is to be hoped that both English and Italian capitalists will be willing and able to take a considerable share in these new Asiatic railways, and should the irritation produced amongst Parisian capitalists continue, and lead them to take up an obstructive attitude, of which there are some indications, it is probable that efforts will be made to create another foreign bank at Constantinople with German and English capital, and thus combat the present monopoly of the Imperial Ottoman Bank and its French supporters.

It is not, however, my intention to trouble your Lordship with any further remarks which may find their proper place in a financial Report; but what I wish to do at present is to point out the political importance of the encouragement given by

Germany to the investment of German capital in Asiatic Turkey, and this is not only interesting because hitherto the Imperial Chancellery had not shown any disposition in that direction, but also because it is said that Baron Bleichröder was not disposed to separate himself from the French houses with whom he co-operated in the Ottoman Régie, and notwithstanding his opposition, M. de Radowitz has throughout shown a warm and praiseworthy zeal in making the Kaulla scheme triumph over its French competitors, whose exclusion is a *sine qud non* at Berlin of the present scheme, and of the future schemes in Turkey which may be evolved from it.

My attitude throughout has been, as your Lordship is aware, a perfectly neutral one, although I was kept constantly informed of what was going on by my German and Italian colleagues.

Baron Blanc, although great credit is due to him for the original idea, has not sufficient influence here to bring it to bear successfully on such a question, but he assisted considerably in its development, and holds all along that for its success, and for the purpose of counteracting any Franco-Russian schemes at Constantinople, it is essential that it should not be a purely German scheme, but one in which English and Italian capital should have an active participation and proper weight and influence.

I am sure that the political appreciation of such a result will meet with your Lordship's approval, and it would be a pity that the abstention of British capitalists were to deprive us of this favourable opportunity of making our influence felt with allies in Asiatic Turkey, a result which, I admit, I did not consider as probable as within our reach a few months ago.

I have, &c.
(Signed) W. A. WHITE.

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## No. 55.

*Sir W. White to the Marquis of Salisbury.*—(*Received October* 22.)

(No. 401.)

*Therapia, October* 11, 1888.

My Lord,

WITH reference to my despatch No. 387 of the 5th instant, inclosing copy of a letter which I had caused to be addressed to Colonel Alt on the subject of a proposal by his Highness the Grand Vizier for the examination of the outstanding accounts between the Sublime Porte and the Haïdar-Pasha Railway Company, I have the honour to forward a copy of Colonel Alt's reply.

On receipt of this communication, I at once addressed a *note verbale* to the Porte (copy inclosed), together with a copy of Colonel Alt's letter, pointing out that the right of preference claimed by the *locataires* was considered by them to be of more importance than the settlement of the outstanding accounts, and that the rights of British subjects under this head ought not to be overlooked by the Imperial Government.

I also inclose a copy of a letter to Colonel Alt, informing him of the action I had taken on his behalf.

I have, &c.
(Signed) W. A. WHITE.

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### Inclosure 1 in No. 55.

*Colonel Alt to Mr. Stronge.*

*Constantinople, October* 6, 1888.

Sir,

I HAVE the honour to acknowledge the receipt of your letter of the 5th instant.

While thanking his Excellency for this communication and for his trouble in learning the intentions of the Porte, I would beg to request that the principal point in question should not be overlooked. The Ottoman Government, as indicated in your letter, wishes the "outstanding accounts connected with the line to be examined." So far from our opposing such a proposition, we have for years been urging it upon the Porte, and are ready at any time to go into the matter upon any plan which will secure a definite and equitable settlement of such accounts.

But I wish to call his Excellency's attention to the fact, that this is a question outside and quite distinct from the question which constitutes the grievances upon



which we have asked his Excellency's assistance. That grievance is, that the Porte has altogether disregarded our right of preference. The Haïdar-Pasha and Ismidt Railway is one which the *locataires* would never have taken but for this right of preference. The line itself is one which, running as it does in opposition to a line of steamers, is practically worthless except as the head of the line of railway beginning at Ismidt and striking into the interior. To take away the right of preference is therefore to seize the valuable part of our Concession, and in presence of such an act all questions of settlements of accounts are simply matters of detail. His Excellency will, I am sure, pardon me for calling attention to this as the principal point, because I fear that the Porte would be well content to continue the discussion of the matter on side issues. I trust, therefore, that his Excellency will continue to use his influence to prevent further injustice.

I am, &c.
(Signed) W. J. ALT.

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### Inclosure 2 in No. 55.

*Note Verbale.*

*Therapia, October* 8, 1888.

WITH reference to its *note verbale* of the 1st instant, Her Majesty's Embassy has the honour to transmit a copy of a letter from Colonel Alt, the representative of the *locataires* of the Haïdar-Pasha-Ismidt Railway, in which that gentleman points out that the question of the right of preference is considered by them to be more important than the question of the settlement of the outstanding accounts connected with the line, and the rights of British subjects under this head ought likewise not to be overlooked by the Imperial Government in seeking for a fair adjustment of this legitimate claim.

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### Inclosure 3 in No. 55.

*Mr. Stronge to Colonel Alt.*

*Therapia, October* 8, 1888.

Sir,

I AM in receipt of your letter of the 6th instant on the subject of the Haïdar-Pasha-Ismidt Railway, in which you state that the right of preference for the extension is a more important one than that of the outstanding accounts, and I am directed by Her Majesty's Ambassador to inform you that a copy of your letter has been transmitted by his Excellency to the Sublime Porte.

I am, &c.
(Signed) F. W. STRONGE.

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## No. 56.

*Sir W. White to the Marquis of Salisbury.*—(*Received October* 22.)

(No. 402.)

*Therapia, October* 12, 1888.

My Lord,

YOUR Lordship has been pleased to instruct me on the 2nd instant, in despatch No. 296, to report on the subject of the situation between Colonel Alt and his colleagues as lessees of the Haïdar-Pasha Railway and the Imperial Ottoman Government.

From my despatches No. 377 of the 24th September and No. 382 of the 2nd instant, your Lordship will have seen what is the position of the Asiatic Railway question as ultimately decided upon by the Sultan.

From the accompanying Memorandum (copy inclosed), kindly drawn up for me by Mr. Fane, your Lordship will see that Her Majesty's Embassy may be said to have exhausted every means in its power during the last three years for the purpose of enabling Colonel Alt and his colleagues to come to some arrangement with the Ottoman Government, and that these gentlemen have been left in undisturbed possession of the line of which they are lessees, although the Ottoman Government alleges that they have not constituted a Company in the form they had pledged themselves to do in Article III of their Convention, nor have they, the Porte asserts, paid

anything during eight years. These two assertions were repeated to me by the Grand Vizier, whom I saw on the subject three days ago, and his Highness added that he would do his best that some amicable arrangement should be come to with Colonel Alt.

Baron de Calice informs me that he has also spoken on behalf of Mr. Seefelder and the gentlemen interested, who is an Austro-Hungarian subject, and who has claimed his Excellency's support.

I have suggested to Colonel Alt the advisability of seeking the settlement of their differences with the Ottoman Government by means of arbitration, and I could not hold out to him any hope that diplomatic assistance could be employed to his advantage at the present stage.

The contention between these gentlemen, of whom Colonel Alt is a British subject on the one hand and the Ottoman Government on the other, consists either in questions of fact or in questions concerning the true interpretation of paragraph 9 of the Convention, so often quoted, and will be made, no doubt, a subject of technical controversy, which may ultimately resolve itself into a question of damages, and must be argued either before a Court of Law or a Court of Arbitration.

It is impossible for Her Majesty's Embassy to constitute itself either into the one or the other of these, and, relying on the Grand Vizier's assurances that the line will not be arbitrarily seized, I could only recommend to Colonel Alt to take any further legal proceedings which he and his foreign associates or English friends may think will conduce best to serve their interests.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure in No. 56.

*Memorandum on the Haïdar-Pasha-Ismidt Railway.*

IN 1880 the Turkish Minister of Public Works contracted with Messrs. Seefelder, Charles Hanson, and Co., W. J. Alt, and Zafiropoulo, to lease to them for a term of twenty years the line of railway from Haïdar-Pasha to Ismidt.

The conditions of the contract were laid down in a Convention, and a "Cahier des Charges" thereto annexed.

By the IIIrd Article of the Convention the lessees were empowered, within three years from their taking over the railway, to transfer their lease to an Ottoman Joint Stock Company; but no such Company appears to have ever been formed, and (Messrs. Hanson having in 1880 become bankrupt) the *only British subject* towards whom the Ottoman Government would seem at the present time to be responsible is Mr. (now Colonel) W. J. Alt. This point I mention *in limine*, because in some of the official despatches I notice expressions which read as though it were supposed that there existed a British Company, or at least a large body of British subjects, towards whom the Porte had contracted engagements. As far as I understand the question, not only is there no Haïdar-Pasha-Ismidt Railway Company, but, moreover, *Colonel Alt's associates in the contract being all foreigners*, there is no British subject except himself in whose behalf the Embassy could properly intervene.

In consequence of instructions from the Foreign Office, Colonel Alt was supported (and successfully so) by the Embassy on a previous occasion in a dispute which arose between him and his associates on the one side and the Turkish Minister for Public Works on the other.

As regards also the present dispute, the Embassy is taking every step to serve the interests of Colonel Alt. The Embassy, however, has no right to insist upon immediate effect being given by the Porte to the interpretation Colonel Alt and his friends are pleased to place upon the Contract of 1880. The meaning of the Contract (should no compromise meanwhile be arrived at) will have to be decided not by Her Majesty's Government, nor by Her Majesty's Embassy, nor by the opinion of Colonel Alt's legal advisers in England, but by a Court of Law. That Court of Law must be an Ottoman one. Both in the Convention and in the "Cahier des Charges" it is over and over again stipulated that, in case of dispute, the lessees are to be considered as Ottoman subjects, and that any contention which may arise as to the interpretation or the execution of the Contract is to be dealt with in the Ottoman Courts: "Sera jugée par les Tribunaux Ordinaires, en Première et en Seconde Instance et en Cassation, comme il est procédé à l'égard des sujets Ottomans."



It would be premature for the Embassy to engage at present in any official remonstrance.

If the Ottoman Government should take possession administratively of the railway line, disregarding and ignoring the Law Courts, so if the Porte attempted to set aside a Judgment pronounced by Ottoman Courts in favour of the lessees, *then* the Embassy would be justified in interfering and in protesting against such an arbitrary proceeding, so far, that is to say, as it affected the one British subject concerned, viz., Colonel Alt.

I am not called upon to state any opinion which I may have formed as to the merits of the respective contentions of the Porte on the one side and of Messrs. Seefelder and associates on the other, but I will say that the Agreement of 1880 is, in many parts of it, so open to a double construction, that a Court of Law would alone be competent to decide whether Messrs. Seefelder and Co. (as charged by the Porte) have committed such breaches of contract as would justify the cancelling, without the full notice of four months, of their lease, or whether (as Messrs. Seefelder allege) the Porte has failed in its engagement towards the lessees.

Lastly, it is for Colonel Alt and his associates to determine whether they will bring this matter to a judicial issue before the Tribunals of the country, or whether they will prefer to settle it out of Court.

In the latter case, I presume that Colonel Alt would continue to enjoy the assistance and support of Her Majesty's Embassy.

(Signed) E. FANE.

*Therapia, October* 11, 1888.

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No. 57.

*Sir W. White to the Marquis of Salisbury.*—(*Received October* 22.)

(No. 405.)
My Lord, *Therapia, October* 13, 1888.

ON the 4th June of the present year I had the honour with my despatch No. 226, Confidential, to forward to your Lordship copy confidentially obtained of the note addressed by the Russian Embassy to the Sublime Porte, claiming arrears of the Russian war indemnity.

I had the honour subsequently to forward, with my despatch No. 303 of the 7th August, the Porte's answer to that note.

I now learn that quite recently M. de Nélidow, on hearing that Turkey had contracted a loan in Germany of one and a-half millions sterling, has addressed a fresh reminder to the Sublime Porte on the subject of the Russian claims coming under the Treaty of Berlin.

I have not as yet been able to obtain a copy of this note, which I believe, however, to be courteous in form, although it presses strongly for the fulfilment of obligations hitherto so incompletely performed.

I have, &c.
(Signed) W. A. WHITE.

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No. 58.

*M. Catalani to the Marquis of Salisbury.*—(*Received October* 23.)

(Très Confidentiel.)
M. le Marquis, 20, *Grosvenor Square, le* 21 *Octobre*, 1888.

L'AMBASSADEUR du Roi à Constantinople a remis à la Sublime Porte un Mémorandum où il fait remarquer que, par suite de manque de fonds, le Gouvernement Ottoman ne s'est pas trouvé en mesure de mettre à exécution les engagements qu'il avait assumés en vue de satisfaire aux réclamations de plusieurs sujets Italiens. L'Ambassadeur a fait remarquer, en outre, que cet épuisement du Trésor Impérial a notoirement pour cause l'usage anormal, fait par la Banque Ottomane, des privilèges qui lui ont été concédés dans l'administration financière de l'Empire et que par conséquent, dans l'intérêt même des bons rapports entre l'Italie et la Turquie, l'Ambassade d'Italie à Constantinople avait proposé au Gouvernement Royal de s'entendre avec les Puissances amies pour procéder à une enquête sur le fonctionnement passé et présent de la dite banque.

En conformité de cette déclaration, M. le Baron Blanc se propose de transmettre au plus tôt au Gouvernement du Roi un rapport, avec pièces à l'appui, qui fera constater la part qu'il a prise dans la question dont il s'agit.

J'ai l'honneur de porter ce qui précède à la connaissance de votre Excellence et de vous prier, M. le Marquis, d'ordre de mon Gouvernement, de vouloir bien donner au Représentant Britannique près Sa Majesté le Sultan l'instruction de s'associer à cette enquête, dont les résultats formeraient plus tard la base d'un accord entre les différents Cabinets pour remédier, si possible, à l'état de choses dont il s'agit.

En vous remerciant d'avance de la réponse qu'il vous plaira, avec votre courtoisie habituelle, de me faire parvenir à cet égard, je saisis, &c.

(Signé) T. CATALANI.

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No. 59.

*Pro-memorid by Italian Embassy at Constantinople.—(Communicated by M. Catalani, October 23.)*

L'AMBASSADE d'Italie regrette de constater que la solution donnée par la Sublime Porte aux réclamations Gargiulo Pastorino et Guarmani n'a pas été mise à exécution, en raison du manque de ressources du Trésor Impérial, allégué plusieurs fois par la Porte elle-même.

Cette impossibilité, où se trouverait la Porte de faire face à ses obligations, n'étant point indifférente aux bons rapports que l'Italie attache tant de prix à conserver avec la Turquie comme Puissance indépendante, et provenant notoirement de l'usage anormal qu'une banque privée fait des privilèges qui lui ont été concédés dans l'administration financière de l'Empire, l'Ambassade d'Italie a proposé à son Gouvernement de s'entendre avec les Puissances amies pour une enquête sur le fonctionnement passé et présent de la dite banque.

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No. 60.

*Colonel Alt to Foreign Office.—(Received October 24.)*

14, *Queen Victoria Street, London, October* 19, 1888.

Sir,

I BEG to thank you for your letter of the 18th instant, in which I gratefully note that Her Majesty's Ambassador at Constantinople has authority to take such steps as may be necessary to protect the British subjects interested in the Haïdar-Pasha-Ismidt Railway from arbitrary proceedings on the part of the Porte in violation of rights to which, in his Excellency's opinion, they have a clear legal claim, but that Lord Salisbury concurs in the view expressed by Sir W. White, that diplomatic intervention should be postponed until the parties interested have exhausted all the legal means at their disposal for arriving at a settlement.

I am requesting Mr. Seefelder, who represents the *locataires vis-à-vis* the Sublime Porte, and Mr. Edwin Pears, barrister-at-law, who has legal charge of our interests, to keep Sir William White regularly advised upon the legal aspects of our case, and of every attempt on the part of the Turkish Government to evade them.

With reference to the first sentence of your communication under reply, I may take this opportunity of declaring, for the information of the Marquis of Salisbury, that the interests the protection of which his Lordship has been good enough to confide to Her Majesty's Ambassador are entirely British, the whole of the capital invested to date in the Haïdar-Pasha-Ismidt Railway belonging to British subjects, and carrying with it 95 per cent. of the interest in the undertaking, one of the parties largely concerned being Mr. Charles Morrison, the remaining 5 per cent. of the interest in the enterprise being held by Mr. L. Seefelder, an Austrian subject.

Although in previous communications to the Foreign Office reference has been made to international syndicates in which French as well as German financial houses had an interest, and in particular that, as explained in my letter of the 3rd May last, we had, at the request of the Grand Vizier, combined with former French opponents represented by Mr. Collas, whose influence with the Sultan we were advised would be of great use to us, all such arrangements have been formally cancelled, which reduces the matter to the simple one of the surviving British interests of the existing *locataires*. I have ventured to make this explanation, in order that his Lordship the Marquis of Salisbury may clearly understand the exact present position of myself and the



influential capitalists who have been associated together for so many years in the endeavour to obtain from the Turkish Government a fulfilment of the solemn engagements entered into with them under the Convention of the 8th April, 1880.

I have, &c.

(For the *locataires* of the Haïdar-Pasha to Ismidt Railway),

(Signed) W. J. ALT.

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No. 61.

*The Marquis of Salisbury to Sir W. White.*

(No. 325.)

Sir, *Foreign Office, October* 24, 1888.

I HAVE received and laid before the Queen your Excellency's despatches Nos. 401 and 402 of the 11th and 12th October respectively upon the subject of the position and claims of Colonel Alt and his associates as lessees of the Haïdar-Pasha-Ismidt Railway.

Your Excellency's proceedings and views, as reported in those despatches, are approved by Her Majesty's Government.

I am, &c.

(Signed) SALISBURY.

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No. 62.

*Mr. Beauclerk to the Marquis of Salisbury.—(Received October* 29.)

(No. 338. Confidential.)

My Lord, *Berlin, October* 27, 1888.

WITH reference to Sir William White's telegram No. 75 to your Lordship of the 19th instant, which I have read in the Confidential Print, Baron von Holstein asked me yesterday if I had heard anything of the proposed inquiry by the Powers as to the shortcomings of the Ottoman Bank at Constantinople.

I answered that I had seen the subject mentioned in official correspondence, but that it did not appear to be a matter which was likely to become prominent or important.

Baron von Holstein remarked that, as usual, this affair was promoted by Baron Blanc, who seemed to him to be a "well-meaning busybody." The Baron alluded to former negotiations for counteracting the preponderance of French influence at Constantinople by a coalition of English, German, and Italian capitalists, and he ended by observing that French influence was paramount at the Ottoman Bank, and that Baron Bleichröder, of Berlin, was in this respect a strong supporter of French influence.

I have, &c.

(Signed) W. BEAUCLERK.

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No. 63.

*Sir W. White to the Marquis of Salisbury.—(Received October* 31, 10·30 P.M.)

(No. 80.)

(Telegraphic.) *Constantinople, October* 31, 1888, 9·5 P.M.

A REPORT reaches me, the accuracy of which I have no means to verify at present, according to which the German bank, represented here by M. Kaulla, has been making inquiries on the subject of railways in Persia, and it is thought likely that the German Government wishes to encourage the construction of important public works, not only in Asiatic Turkey, but also in Persia.

(Sent to Sir H. Wolff.)

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No. 64.

*Sir W. White to the Marquis of Salisbury.—(Received November 5.)*

(No. 434.) *Constantinople, November* 1, 1888.

My Lord,

WITH reference to my despatch No. 402 of the 12th ultimo, I have the honour to inclose copy of a letter which I have received from Mr. Pears, legal adviser to the *locataires* of the Haïdar-Pasha Railway, forwarding copy of a letter from the Minister of Public Works, demanding in very peremptory terms that the line should be handed over to the Ottoman authorities.

I also inclose copy of a note which I have just received from Saïd Pasha, in which his Excellency maintains the right of the Porte to take over the line, but states that it would be willing to submit the outstanding accounts to a Commission, and points out that if the *locataires* are dissatisfied with their treatment, it is open to them to appeal to the Ottoman Courts.

I have furnished Mr. Pears with a copy of Saïd Pasha's note, and have suggested to him that, if the Porte should refuse to submit the right of preference claimed by the *locataires* to arbitration, it might be well to take steps to bring the case before the Courts, as Her Majesty's Embassy could then oppose any arbitrary action by the Porte on the ground that the legal question was still pending.

I have the honour to inclose a copy of the letter which I have caused to be addressed to Mr. Pears in this sense.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure 1 in No. 64.

*Mr. Pears to Sir W. White.*

*Constantinople, October* 29, 1888.

Excellency,

I INCLOSE herewith a copy of a letter from the Minister of Public Works which arrived on Saturday evening.

Your Excellency will observe that it repeats in more positive terms, first, the declaration that the Government has decided to annul the Convention; and, secondly, the demand for the surrender of the railway. Of course, Mr. Alt and those interested with him utterly deny the right of the Government to annul the Convention—a Convention which, by the Government's own admission, is still in existence, and which give the "droit de préférence."

As to the demand for the surrender of the railway, it is in flagrant violation of the Convention and of Article 49 of the "Cahier des Charges," which provide for the surrender of the railway, and it is one to which the concessionnaires can never consent.

I have only to add that, looking to the curt character of the note, it appears as if the next step would be either the direct threat of arbitrary seizure, or such arbitrary seizure itself.

It is in consequence of the menacing nature of the note, notwithstanding the assurances given to your Excellency that no arbitrary measures would be adopted, that I venture at once to transmit a copy, with the expression of the hope that your Excellency may take steps to prevent the arbitrary measures which appear to me to be imminent.

I have, &c.
(Signed) EDWIN PEARS.

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Inclosure 2 in No. 64.

*Zihny Pasha to Messrs. Alt and Seefelder.*

*Ministère du Commerce et des Travaux Publics,*
*Constantinople, le* 15 (27) *Octobre*, 1888.

(Traduction.)

JE vous avais réitéré à la date du 16 Octobre, 1888, les termes de la communication antérieure faite à la date du 27 Septembre pour vous donner connaissance de la décision prise par le Gouvernement Impérial, d'annuler la Convention du bail de la ligne de Haïdar-Pasha-Ismidt.



Comme vous ne semblez pas encore avoir pris des mesures pour remettre la ligne, je vous réitère les termes de ma dernière lettre, en vous invitant à faire immédiatement le nécessaire dans ce but, et en vous avisant qui j'attends de vous des preuves à cet égard.

Le Ministre du Commerce et des Travaux Publics,
(Signé) ZIHNY.

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Inclosure 3 in No. 64.

*Saïd Pasha to Sir W. White.*

M. l'Ambassadeur, *Sublime Porte, le* 30 *Octobre*, 1888.

J'AI eu l'honneur de recevoir les deux notes que votre Excellence a bien voulu m'adresser en date des 1er Septembre et 1er Octobre, ainsi que la note verbale de l'Ambassade du 8 de ce mois, concernant la ligne ferrée de Haïdar-Pasha-Ismidt.

Ainsi que je le faisais observer à votre Excellence dans ma note du 16 Juillet, le Gouvernement Impérial s'étant réservé par l'Article 9 de la Convention de 1880 le droit de résilier la location et de reprendre le chemin de fer, c'est en vertu de cette clause formelle qu'il a cassé le Contrat et demandé la restitution de la ligne. Quant aux sommes réclamées des locataires par le Gouvernement Impérial, et aux demandes reconventionnelles élevées par eux, il a été décidé d'instituer une Commission spéciale qui serait chargée d'arrêter un réglement à l'amiable. Il va de soi que par suite de cette résiliation le droit de préférence invoquée par les locataires est périmé. Dans le cas où ces derniers n'accepteraient pas le mode de solution qui leur a été proposé, ils devront, aux termes de l'Article 9 de leur Contrat, avoir recours au Tribunal Ottoman compétent.

Du reste, votre Excellence sait que les locataires ne peuvent agir qu'en qualité d'Ottomans dans cette affaire, qui est purement du ressort de la justice.

Veuillez, &c.
(Signé) SAÏD.

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Inclosure 4 in No. 64.

*Mr. Stronge to Mr. Pears.*

Sir, *Constantinople, November* 1, 1888.

I AM directed by Her Majesty's Ambassador to acknowledge the receipt of your letter of the 29th ultimo, respecting the Haïdar-Pasha Railway, and at the same time to inclose to you copy of a note which his Excellency has received from the Sublime Porte.

You will observe that Saïd Pasha, while maintaining the right of the Turkish Government, under its Conventions with the *locataires*, to take over the line, concludes by stating that it is open to them to appeal to the Ottoman Tribunals if they think that their rights are being infringed.

Under these circumstances the Ambassador suggests that if the Porte refuses to submit their rights of preference to arbitration, it might be advisable that you should take steps to bring the case before the competent Courts. If this were done, Her Majesty's Embassy would be in a better position to oppose any arbitrary action on the part of the Turkish authorities, on the ground that the matter was still pending before the Courts.

I may add that I shall be happy to see you any morning this week, should you have any further communication to make to Her Majesty's Embassy.

I am, &c.
(Signed) F. W. STRONGE.

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No. 65.

*The Marquis of Salisbury to M. Catalani.*

(Very Confidential.) *Foreign Office, November* 5, 1888.

M. le Chargé d'Affaires,

I HAVE the honour to acknowledge the receipt of your letter of the 21st ultimo, relative to a proposal which has been made by the Italian Ambassador at Constantinople for a joint inquiry by the Representatives of the friendly Powers at that capital, into the privileges, and past and present working, of the Imperial Ottoman Bank.

I request that you will inform M. Crispi that Her Majesty's Government will be very happy to assist in carrying on any inquiry which His Imperial Majesty the Sultan may wish to institute into the conduct of the bank in question. But it appears to them that to undertake such an inquiry without the consent of the Sultan, would be inconsistent with the respect which England has always shown for the independence of the Ottoman Government.

I have, &c.
(Signed) SALISBURY.

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No. 66.

*Mr. Caillard to Foreign Office.—(Received November* 6.)

116, *Buckingham Palace Road, S.W., November* 5, 1888.

My dear Sir Julian Pauncefote,

I WISH to tell you that by chance I to-day met Mr. Alt at Glyn's. Lord Hillingdon suggested that I should speak to him there about the railway business in Turkey, and I said I had no objection to do so. Mr. Alt was then introduced to me, and we talked the matter over.

Amongst other things, Mr. Alt stated to me that he had the full support of the Foreign Office. I replied that I had myself been to the Foreign Office, and believed that Her Majesty's Government had no idea of supporting him personally, but that they took up the ground that in case a flagrant injustice were done to a British subject they would feel themselves forced to interfere in order that that injustice might be redressed.

I also said that I did not suppose that the Secretary of State would take an *à priori* statement that an injustice had been committed, but that it would of course have to be proved. I said this because it appeared to me that Mr. Alt imagined that it was to his personal course that the Secretary of State had promised to give support.

I would like to add that I desire to come to any reasonable arrangement with Mr. Alt, and that I so informed him, but I think it is important that he should not be exorbitant in his claims for compensation, since that would render any arrangements impossible, and therefore that he should not suppose that the support of Her Majesty's Government is at his disposal, whatever may be the rights of his case.

Yours, &c.
(Signed) VINCENT CAILLARD.

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No. 67.

*Colonel Alt to Foreign Office.—Received November* 7.)

14, *Queen Victoria Street, London, November* 7, 1888.

Sir,

REFERRING to my last communication on the subject of the Haïdar-Pasha to Ismidt Railway and its extensions, which was in the form of a Memorandum under date the 15th October, and to which was attached my correspondence with the Grand Vizier and the Minister of Public Works from the 25th to the 29th September, I now beg to hand you, for the information of his Lordship the Secretary of State for Foreign Affairs, copies of further correspondence with the Turkish Government and Her Majesty's Ambassador, as follows:—

A letter from the Minister of Public Works addressed to Messrs. Alt and Seefelder, dated the 16th October, 1888.

A letter from the same to the same, dated the 27th October, 1888.



Notarial protest signed by Mr. Edwin Pears on behalf of the *locataires*, dated the 29th October, and forwarded to the Minister of Public Works through Her Britannic Majesty's Consul-General at Constantinople.

A letter from Mr. Edwin Pears to Sir William White, dated the 29th October, 1888.

Reply to same by Mr. Stronge, dated the 1st November, and covering copy of a note addressed by Saïd Pasha, the Turkish Minister for Foreign Affairs, to the Ambassador, of the 30th October, 1888.

It is unnecessary for me to point out the weakness of the contention of the Turkish Government that they can, after having granted to others a Concession for the extensions, now annul our right of preference by giving us notice under Article 9 to resume possession of the existing line.

You will observe that Saïd Pasha alludes to the proposal of a Special Commission to settle and regulate, in a friendly manner, the differences between us—a course we are quite prepared to fall in with provided the Commission is equitably constituted and authorized to give a definite decision on our case. In allusion to this, and to the concluding paragraph of Saïd Pasha's letter, the Ambassador suggests that, "if the Porte refuses to submit their rights of preference to arbitration, it might be advisable that steps should be taken to bring the case before the competent Courts. If this were done, Her Majesty's Government would be in a better position to oppose any arbitrary action on the part of the Turkish authorities on the ground that the matter was still pending before the Courts," with reference to which suggestion I venture to remark that it would be hopeless for us to expect any speedy or just decision on the part of a Turkish Court in a case against the Turkish Government, and to point out that the first step by us, as plaintiffs, towards bringing our case before such a Tribunal, would have to be the deposit of an amount of at least 10,000*l.* as fees pending a decision.

Our only hope, therefore, of obtaining an equitable solution of the difficult position in which we have been placed by the action of the Turkish Government is, in being protected in the possession of the security which we hold, until an amicable adjustment of all differences is arrived at, or should this unhappily not be arrived at, and an appeal to the Tribunals become necessary, that we should be made defendants in the case in place of being plaintiffs.

Under these circumstances I trust, after consideration of the correspondence now inclosed, that if his Lordship, the Secretary of State for Foreign Affairs, considers it necessary, further instructions may be sent to Her Majesty's Ambassador to oppose any arbitrary action on the part of the Turkish authorities even though a legal decision has not been arrived at.

I have, &c.
(For the *locataires* of the Imperial Haïdar-Pacha to Ismidt Railway),
(Signed) W. J. ALT.

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Inclosure 1 in No. 67.

*Zihny Pasha to Messrs. Alt and Seefelder.*

(Traduction.) *Constantinople, le* 4 (16) *Octobre*, 1888.

J'AI pris connaissance de deux lettres en date du 15 (27) et 17 (29) Septembre que vous m'avez fait parvenir en réponse à ma communication du 15 (27) du même mois, par laquelle je vous notifiais la décision prise par le Gouvernement Impérial d'annuler le contrat de bail de la ligne de Haïdar-Pacha Ismidt.

Au lieu de répondre à l'invitation contenue dans ma susdite communication ces lettres se bornent à discuter un droit que le Gouvernement Impérial considère comme périmé.

Le Gouvernement Impérial est d'autant plus fondé à s'arrêter à cette conviction que ce droit se trouve inscrit dans une Convention que vous n'avez nullement respectée et qui en fait et de plein droit est à considérer comme résolue surtout à la suite des différentes communications ou mises en demeure qui vous ont été faites par mon Département.

Par ma susdite lettre du 15 (27) Septembre, je vous ai du reste notifié que le Gouvernement Impérial entend exercer la faculté de résilier le bail et de reprendre la ligne conformément à l'Article IX de la Convention de bail, et je ne vois pas que le droit de préférence puisse être considéré comme subsistant après que par l'exercice de cette faculté la Convention se trouve nécessairement résolue.

Je ne puis donc que vous confirmer la teneur de ma susdite lettre en déclarant qu'il sera tenu compte des conditions indiquées dans l'Article IX et vous inviter derechef à vous y conformer et à remettre la ligne.

Quant aux réserves et aux mises en demeure que vous formulez dans votre lettre du 17 (29) Septembre dernier, je ne puis que les repousser comme nulles dans la forme et mal fondées en droit.

Le Ministre du Commerce et des Travaux Publics,
(Signé) ZIHNY.

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Inclosure 2 in No. 67.

*Mr. Pears to Sir H. Fawcett.*

*2, Rue de la Banque, Constantinople, le 29 Octobre*, 1888.

M. le Consul-Général,

JE Soussigné, Edwin Pears, Barrister-at-Law (Avocat), fondé de pouvoirs de Mr. W. J. Alt, sujet Anglais, locataire et représentant les autres locataires de la ligne du chemin de fer de Haïdar-Pacha à Ismidt, ai l'honneur ès qualité d'exposer ce qui suit :—

En échange du droit de rachat de la location réservé au Gouvernement Impérial par l'Article 9 du Contrat de Bail du 28 Rebiul-Akher, 1297, et 27 Mars, 1296 (3 Avril, 1880), ce même Article réserve par contre aux locataires de la ligne le droit de préférence à conditions égales, sur toute autre Société pour toute extension de la susdite ligne.

M. Kaulla ayant fait au Gouvernement Impérial pour l'extension de cette ligne des propositions qui ont rencontré l'agrément de ce dernier, Son Altesse le Grand Vizir a déclaré aux locataires que s'ils acceptaient les dites propositions la Concession devait leur être accordée. Les locataires précités ont à cette occasion, et à plusieurs reprises, verbalement, et par lettre du 25 Septembre dernier adressé à Son Altesse le Grand Vizir, déclaré maintenir leur droit de préférence, et demandé communication du texte des Conventions arrêtées avec M. Kaulla pour délibérer en parfaite connaissance de cause.

Cette communication et le délai nécessaire pour délibérer leur ont été refusés, dans le but évident d'éluder l'exercice du droit de préférence reconnu.

En même temps Son Excellence le Ministre des Travaux Publics, sans tenir aucun compte sans même mentionner la question pendante du droit de préférence, mais invoquant des faits controuvés, des prétextes inexplicables a notifié aux locataires, par lettre du 15 (27) Septembre, 1888, la résolution du Gouvernement Impérial d'exercer le droit de rachat de la location, les invitant à se concerter avec lui pour les réglements à intervenir et les dispositions à prendre à la suite de ce rachat.

Par office responsive du 17 (29) Septembre, 1888, les locataires de la ligne ont réfuté les affirmations du Gouvernement Impérial, et sans lui contester, sous certaines conditions, le droit de rachat de la location, ils ont derechef affirmé et maintenu tous les droits découlant pour eux de la Convention.

Ils ont déclaré notamment maintenir et vouloir exercer leur droit de préférence stipulé à l'Article 9 de la Convention et mis le Ministère des Travaux Publics, respectivement le Gouvernement Impérial, en demeure :

De leur donner communication du texte de tous Actes et Convention passés avec M. Kaulla ou tous autres pour l'extension de la ligne de Haïdar-Pacha Ismidt pour les mettre en état de pouvoir se prononcer et délibérer en parfaite connaissance de cause ;

De leur accorder un délai de six semaines à partir de la susdite communication, pour conférer avec le Syndicat de leurs capitalistes et lever l'option. Ou tout au moins à désigner, d'accord avec eux, des experts ou arbitres pour déterminer le maximum de ce délai ;

Sous toutes réserves des dommages-intérêts et autres de droit.

Loin de se conformer à ces mises en demeure légitimes et fondées sur le texte même de notre contrat de location, son Excellence le Ministre des Travaux Publics vient d'adresser aux locataires de la ligne en date du 4 (16) Octobre courant une réponse qui manifeste cette fois-ci ouvertement l'intention du Gouvernement Impérial de ne tenir aucun compte de notre droit de préférence.

Le Gouvernement Impérial, y est-il dit, considère notre droit de préférence périmé :—



1. Parce qu'il est inscrit dans une Convention, laquelle n'ayant pas été respectée, doit être considérée comme résolue, surtout à la suite des communications et mises en demeure du Ministre des Travaux Publics, communication ou mises en demeure qui n'ont jamais existé.

2. Parce que le droit de préférence ne peut pas être considéré comme subsistant après que par l'exercice du droit de rachat de la location la Convention se trouve nécessairement résiliée.

Dans cette situation, je Soussigné, ès qualité,

Repousse énergiquement comme inexactes toutes les affirmations et comme non fondées toutes les prétentions avancées dans la susdite lettre du 4 (16) Octobre 1888, et,

Attendu qu'il n'est point admissible ni vrai que la Convention soit à considérer en fait et de plein droit comme résolue ;

Qu'elle est si bien en vigueur que le Gouvernement Impérial en invoque lui-même l'Article 9 pour exercer son droit de rachat et pour assurer aux locataires qu'on leur tiendra compte des conditions du rachat prévues au susdit Article 9 ;

Attendu qu'il est erroné de prétendre que la déclaration de vouloir exercer ce droit de rachat du bail emporte résolution de toute la Convention, et que par suite le droit de préférence ne peut plus subsister : Que tout au contraire, le droit de préférence a été stipulé au profit des locataires en échange et comme compensation du droit de rachat réservé au Gouvernement : Que ce droit reste et grandit en vigueur de même que toutes les autres stipulations de la Convention qui règlent les droits des parties pour le cas du rachat ;

Attendu dès lors que le droit de préférence lequel a été d'ailleurs reconnu, subsiste : Qu'il n'a jamais été périmé et qu'il ne saurait l'être.

Pour ces motifs, je soussigné, ès qualité,

Maintiens et autant que de besoin réitère par la présente contre le Ministère des Travaux Publics, respectivement contre le Gouvernement Impérial Ottoman, les mises en demeure et protestations contenues dans la lettre de 17 (29) Septembre dernier, ci-haut répétées et d'ailleurs parfaitement valables en forme.

Invite le Ministère des Travaux Publics, respectivement le Gouvernement Impérial Ottoman, à s'y conformer dans le délai de huit jours, protestant à défaut pour tous dommages-intérêts et frais.

De même suite je requiers que par l'entremise du notariat, copie de mes présentes mises en demeure et protestations itératives soit notifiée aux fins de droit au Ministère des Travaux Publics en la personne de son Ministre ou qui pour lui, pour valoir aussi notification au Gouvernement Impérial Ottoman.

Ou autre copie avec l'ordonnance de notification y émargée me soit restituée pour me tenir lieu d'original.

J'ai, &c.
(Signé) EDWIN PEARS,
*Fondé de pouvoirs de Mr. W. J. Alt.*

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Inclosure 3 in No. 67.

*Mr. Pears to Sir W. White, October* 29, 1888.

[See Inclosure 1 in Sir W. White's No. 434 of November 1, 1888.]

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Inclosure 4 in No. 67.

*Zihny Pasha to Messrs. Alt and Seefelder, October* 27, 1888.

[See Inclosure 2 in Sir W. White's No. 434 of November 1, 1888.]

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Inclosure 5 in No. 67.

*Said Pasha to Sir W. White, October* 30, 1888.

[See Inclosure 3 in Sir W. White's No. 434 of November 1, 1888.]

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Inclosure 6 in No. 67.

*Mr. Strange to Mr. Pears, November* 1, 1888.

[See Inclosure 4 in Sir W. White's No. 434 of November 1, 1888.]

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## No. 68.

*Foreign Office to Colonel Alt.*

*Foreign Office, November* 12, 1888.

Sir,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 7th instant, inclosing copies of further correspondence respecting the position and claims of the lessees of the Haïdar-Pasha-Ismidt Railway, and suggesting that Her Majesty's Ambassador at Constantinople should be instructed to protect the lessees in possession of the line until the Turkish Government agree to a properly constituted Commission of Arbitration, or proceed against them in the Law Courts.

In reply, I am to state that the instructions already sent to Sir W. White to protect the lessees against arbitrary proceedings on the part of the Porte seem to Lord Salisbury to be sufficient for the Ambassador's guidance, and that details must be left to his Excellency's discretion.

A copy of your letter will, however, be sent to Constantinople.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

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## No. 69.

*Mr. Caillard to Foreign Office.—(Received November* 20.)

116, *Buckingham Palace Road, London, November* 19, 1888.

Sir,

I HAVE the honour to inform you that one of the best financial houses which I had interested in the Concession for the construction of the new line to Angora has received a communication giving them clearly to understand that the moment the Company is formed to construct this line Mr. Charles Morrison, who is the gentleman who advanced money to Mr. Alt for the working of the existing Haïdar-Pasha-Ismidt line, will bring an action against the Company, claiming 200,000*l*. I have felt bound myself to inform the other financiers who have undertaken the carrying out of the Concession for the construction of this line in combination with the Deutsche Bank of this threat.

I am advised that, were Mr. Charles Morrison to bring such an action, he would immediately be nonsuited, as the action cannot lie against the new Company, but would be against the Turkish Government. This, however, does not alter the fact that such a step on the part of Mr. Charles Morrison would so greatly damage the business in the eyes of the public that it would probably cause any issue upon the English market of bonds or shares of the new Company to fail; and, as a matter of fact, it would probably cause the ruin of the English interest in the Anglo-Italian-German group formed to construct the Asia Minor Railways, which I have been trying so hard to establish.

I beg you to note that this threat has been conveyed, in spite of my undertaking to do my very best to induce the Turkish Government to appoint a Commission, on which themselves and Mr. Alt should be equally represented, to discuss the various claims and counter-claims arising between Mr. Alt and the Turkish Government, the decision of such Commission to be considered final. Should the Commissioners fail to come to any agreement, the whole matter to be submitted to a Supreme Arbiter whom the Commissioners should appoint, and whose decision would in that case be the final one.

Mr. John Morris, who is the solicitor to Mr. Charles Morrison and Mr. Alt, informed me personally that he will accept this Commission as being a reasonable arrangement. Nevertheless, it is subsequently to his having so informed me that I hear of this threat made on behalf of Mr. Charles Morrison.

I submit that the Commission I propose is the only possible way of arriving at a settlement of the claims of Mr. Alt. It is manifestly out of the question that the new



## No. 68*.

*The Marquis of Salisbury to Sir W. White.*

(No. 343.)

Sir,

*Foreign Office, November* 12, 1888.

I HAVE received your Excellency's despatch No. 434 of the 1st instant, inclosing copies of further correspondence respecting the position and claims of the Trustees of the Haïdar-Pasha-Ismidt Railway.

The action which your Excellency has taken in the matter is approved by Her Majesty's Government.

I inclose herewith, for your information, copy of a letter from Colonel Alt* explaining that the lessees would be placed at a disadvantage if they initiated legal proceedings against the Turkish Government, and asking that you should be instructed to protect them in possession of the line, until the Turkish Government either agree to a properly constituted Commission of Arbitration, or themselves take legal proceedings.

I also inclose a copy of the reply which I have caused to be returned to Colonel Alt.†

I am, &c.

(Signed) SALISBURY.

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* No. 67.

† No. 68.

No. 69*.

*The Marquis of Salisbury to Mr. Caillard.*

*Foreign Office, November* 26, 1888.

Sir,

YOUR letter of the 19th instant upon the subject of the Concession recently granted by the Porte for the extension of railway communication in Asia Minor has been received and laid before the Marquis of Salisbury.

The intervention of Her Majesty's Government on behalf of the lessees of the Haïdar-Pasha Railway is confined to the protection necessary to secure the interests of the British investors from arbitrary treatment at the hands of the Porte.

But it appears desirable in the interests of all parties that a speedy decision should be arrived at on the merits of the question in dispute, and Her Majesty's Ambassador at Constantinople will be instructed, if he sees no objection, to urge on the Porte the expediency of arranging for an examination of the claims of the lessees by a properly constituted Commission, a method of procedure to which it is understood that Colonel Alt is himself quite ready to agree.

I am, &c.
(Signed) SALISBURY.

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Company should saddle its Concession with a large sum of money to be paid to Mr. Alt in consideration of taking over claims which he asserts he has against the Turkish Government, and which the Turkish Government contest.

With your approval I intend, in spite of the position taken up by Mr. Alt and Mr. Charles Morrison, to endeavour to induce the Turkish Government to appoint the Commission which I have above described; and I venture to suggest that it would be well to instruct the English Ambassador at Constantinople to use his best endeavour to have that Commission named. I would also beg to suggest that Mr. Alt should be informed that if he persists in refusing so reasonable an arrangement, and in doing all he can to damage the interests of the new Company, in spite of their conciliatory disposition, the support of Her Majesty's Government will be immediately withdrawn from him; and further, that in any case that support is contingent upon Mr. Alt's being able to prove to their satisfaction that he has suffered at the hands of the Turkish Government a clear and substantial injustice.

I am leaving London this evening for Berlin, where I shall probably remain two or three days, and thence I shall proceed direct to Constantinople. I shall be extremely obliged if you will be good enough to inform me as soon as possible of your views on the subject.

I have, &c.
(Signed) VINCENT CAILLARD.

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No. 70.

*Sir W. White to the Marquis of Salisbury.*—(*Received November* 29.)

(No. 456. Confidential.)

My Lord, *Constantinople, November* 15, 1888.

AT no time probably since the Treaty of Berlin, with the exception of the time of the negotiations with the bondholders in 1881, have financial questions attracted more attention at Constantinople than they do at the present moment.

This is due to the extreme penury of the Exchequer, to the presence of Agop Pasha at the head of the Ministry of Finance, as his Excellency possesses the entire confidence of the Sultan, and happens to be an honest and clear-headed man; but it must be ascribed likewise to a considerable extent to the spirit of inquiry which Baron Blanc has awakened on this subject, and which has found an echo in the Imperial Chancery at Berlin.

A regular combination has been set on foot to upset Agop Pasha, in which persons holding positions in the Ottoman Bank, local Galata financiers (and I am sorry to say some of the Turkish Ministers), take an active part, but hitherto without success. The accompanying extract from a Memorandum drawn up secretly by a competent hand on matters connected with the subject may perhaps interest your Lordship at this moment.

From its contents your Lordship will perceive that this is alleged as a consequence of the arrangement with the bondholders sanctioned by a Decree of the 20th December, 1881, and that the Porte is seriously hampered in seeking to develop its resources.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure in No. 70.

*Extract from Private and Confidential Memorandum concerning Ottoman Finance, and the Arrangement with the Bondholders of December* 20, 1881.

THE present generation of investors does not buy Turkish securities; the stock, therefore, becomes more and more "déclassé," and finds its way into the hands of speculators. That this had happened to an extent which even embarasses speculation is evidenced by the fact that, since the rise of discount, those financial papers which are the special organs of speculation are puffing "little Turks," and urging the public to buy.

The whole of the stock of the A Series is now in the hands of a few operators, who had early advice of the preferential position as regards sinking fund that was reserved to it under the arrangement of 1881. The stock being small is easily

"corneed" to the disadvantage of the action of the sinking fund, which works by purchase, and is of course retarded in its action as prices rise. But prices must continue to rise, for the sinking fund of ½ per cent. on the Decree capital of the whole debt amounts to 3 per cent. on the Decree capital of A stock, and to 5 per cent. on the amount of it now outstanding.

Be it remarked further that the division of the Ottoman Debt into series, successively to enjoy the sinking fund, destroys the unity of it, and creates a confusion which, added to the unmarketable character of the type, further tends to depopularize and discluss Ottoman securities.

It may here be noticed that in the present state of the Ottoman Budget a sinking fund is an absurdity. Turkish stocks now give about 6½ per cent. interest, and there can be no advantage in paying these off to borrow again at 7 per cent., or rather to borrow in Galata at 15 to 20 per cent. with "compensations," and then consolidate at 7 per cent.

It will be seen by what precedes that in the matter of "Rente," the great stand-by of all borrowing States, Turkey is bound hand and foot. She cannot use the type she has because it is unmarketable. She cannot change it because of the preferential position in which the old debt stands. When, therefore, circumstances demand the consolidation of any floating debt, she is obliged to resort to loans of a special form, like the Custom-house Loan of 1886, and so deviate more and more from the unity which is so desirable, play more and more into the hands of speculation, strengthen more and more the position of the bailiff, compromise more and more her financial independence.

It is therefore to be foreseen that at some date more or less distant Turkey will be driven by the force of circumstances to shake off her financial shackles and resume the command of her purse and credit. If this should come to pass abruptly, as in 1875, the consequences might be very serious; it is therefore well worth considering whether such a convulsion could not be forestalled by giving to the Porte such a measure of financial ease and independence as would put the danger away at least into the far distance, and afford time for relief to come by the development of industry and expansion of revenue.

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No. 71.

*Sir W. White to the Marquis of Salisbury.*—(*Received November* 29.)

(No. 461.) *Constantinople, November* 21, 1888.

My Lord,

I HAVE the honour to forward to your Lordship the accompanying copy of a Return of the arrears due by the Imperial Ottoman Government to Russia on account of the war indemnity up to the end of 1887 under the arrangement entered into at Constantinople the 14th May, 1882, together with a list of the amounts encashed by the Imperial Ottoman Bank every month from the 1st (13th) January up to the end of October 1888, on account of the sum of £ T. 350,000 due to Russia every year.

I have, &c.

(Signed) W. A. WHITE.

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Inclosure in No. 71.

*Indemnité de Guerre Russe.*

SOLDES non encaissés à ce jour sur les Exercices antérieurs :—

| Année— | £ T. | p. |
|---|---|---|
| 1883 .. .. .. .. .. .. .. .. | 224,353 | 84 |
| 1884 .. .. .. .. .. .. .. .. | 51,890 | 45 |
| 1885 .. .. .. .. .. .. .. .. | 57,563 | 22 |
| 1886 .. .. .. .. .. .. .. .. | 108,544 | 48 |
| 1887 .. .. .. .. .. .. .. .. | 172,171 | 00 |
| 1888 .. .. .. .. .. .. .. .. | | |
| Total .. .. .. .. .. .. | 615,022 | 99 |

Encaissements effectués à ce jour sur l'annuité de 350,000*l.* de 1888.



SITUATION du 1er (13) Janvier au 31 Octobre (12 Novembre), 1888.

| Encaissements des Mois de— | Vilayet de— Sivas. | Konieh. | Castamboul. | Adana. | Alep. | Total. |
|---|---|---|---|---|---|---|
| | £ T. p. | £ T. p. | £ T. p. | £ T. p. | £ T. p. | £ T. p. |
| Janvier .. .. | 87 93 | .. | 4,340 93 | .. | 1,268 80 | 5,696 76 |
| Février .. .. | 77 14 | .. | 3,735 60 | .. | .. | 3,812 74 |
| Mars .. .. .. | 104 67 | .. | 1,680 27 | .. | .. | 1,784 94 |
| Avril .. .. .. | .. | .. | 4,832 18 | .. | 978 86 | 5,811 04 |
| Mai .. .. .. | .. | .. | 6,338 26 | .. | 983 97 | 7,322 23 |
| Juin .. .. .. | .. | .. | 2,517 23 | .. | .. | 2,517 23 |
| Juillet .. .. .. | .. | .. | 6,097 07 | .. | .. | 6,097 07 |
| Août .. .. .. | .. | .. | 2,050 62 | .. | .. | 2,039 62 |
| Septembre .. .. | .. | .. | 188 60 | .. | .. | 188 60 |
| Octobre .. .. | 2,353 85 | 1,593 58 | 4,323 50 | 2,475 26 | .. | 10,746 19 |
| Novembre .. .. | .. | .. | .. | .. | .. | .. |
| Décembre .. .. | .. | .. | .. | .. | .. | .. |
| | 2,622 69 | 1,593 58 | 36,093 26 | 2,475 26 | 3,231 63 | 46,016 42 |

*Constantinople, le* 1er (13) *Novembre*, 1888.

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No. 72.

*Sir W. White to the Marquis of Salisbury.*—(*Received November* 29.)

(No. 462. Confidential.)

My Lord, *Constantinople, November* 22, 1888.

WITH reference to your Lordship's despatch No. 343 of the 12th instant, respecting the Haïdar-Pacha-Ismidt Railway, I have the honour to inform your Lordship that M. Seefelder, an Austrian subject, who is associated with Colonel Alt as representative of the lessees of the line, called upon me yesterday, and strongly urged the necessity of energetic action on the part of Her Majesty's Embassy, with a view to prevent the infringement of their rights. He had, he said, had an interview with the Grand Vizier, and had represented to his Highness that the lessees were willing to carry out the proposed extension on the same terms as those contained in the Convention and "Cahier des Charges" of the Kaulla group, and had energetically protested against the claim of the Sublime Porte to resume possession of the existing line. His arguments had not, however, produced the desired effect, and his Highness' replies were the reverse of reassuring. The latter regarded the Convention with M. Kaulla as a settled thing which could no longer be called in question, and had urged M. Seefelder to agree quickly with his adversaries while there was yet time. In short, he had made it sufficiently clear that unless some arrangement were arrived at between the rival groups, the lessees would before long be forcibly ejected by the Ottoman authorities.

Under these circumstances it seemed impossible to refuse to take further steps on behalf of the lessees; and I therefore addressed a note to Said Pasha, formally requesting that the Sublime Porte would take no arbitrary or administrative action with a view to obtain possession of the line, until the rights of the lessees had been determined either by arbitration or by a Court of Law. I at the same time inclosed copy of a letter which had been handed to me by M. Seefelder, representing that his associates were ready to carry out the extension on the terms granted to the Kaulla group.

Copies of these papers are inclosed, and I trust that the steps which I have taken in this matter will meet with your Lordship's approval. It is, in my opinion, neither feasible nor desirable to induce the Porte to cancel the Agreement with M. Kaulla. The questions of the railway and of the new loan cannot be disassociated, and it is not to be expected that the Porte will sacrifice an arrangement which relieves the pressing needs of the Exchequer. Moreover, the failure of the scheme would probably involve the downfall of Agop Pasha, the Finance Minister, who has so far proved an honest and capable official, and would again throw the Porte into the hands of the French financial ring from which it is now endeavouring to escape.

On these grounds it would, I think, be unwise to press too far the rights of

preference claimed by the lessees, and if they should unfortunately fail to come to terms with the Kaulla group, I submit that it would be better to press their case more with a view to pecuniary compensation than with any hope that the conditions of their original Concession should be carried out.

I should add that I have shown the inclosed papers to my Austrian colleague, at whose request I had consented to receive M. Seefelder, and his Excellency tells me that he has addressed a communication to the Porte couched in almost similar terms.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure 1 in No. 72.

*Sir W. White to Said Pasha.*

*Constantinople, November* 21, 1888.

M. le Ministre,

WITH reference to the note which I had the honour to receive from your Excellency on the 30th ultimo, stating that the Imperial Government required the surrender of the Haïdar-Pacha-Ismidt railway line in virtue of the IXth Article of the Convention of 1880, I have the honour to inclose copy of a letter which has been addressed to me by M. Seefelder, agent of the *locataires* of the line, alleging that the gentlemen whom he represents are both able and willing to carry out the prolongation of the line on the same terms as those given in the Convention and "Cahier des Charges" of the Kaulla group.

I beg to call your Excellency's special attention to this letter, and formally to request that the Sublime Porte will refrain from any arbitrary or administrative action with a view to obtaining possession of the line until the rights of the *locataires* have been determined either by arbitration or by a Court of Law.

(Signed) W. A. WHITE.

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Inclosure 2 in No. 72.

*M. Seefelder to Sir W. White.*

*Constantinople, le 20 Novembre*, 1888.

Excellence,

J'AI l'honneur de prier respectueusement votre Excellence de vouloir bien appuyer auprès de la Sublime Porte la communication suivante, dont votre Excellence appréciera toute son importance.

Ayant transmis en Europe aux groupes des locataires du Chemin de Fer de Haïdar-Pacha à Ismidt le texte de la Convention et du Cahier des Charges accepté par le Gouvernement Impérial pour la construction et l'exploitation de la ligne Haïdar-Pacha-Angora, texte qui a paru ces jours derniers dans les journaux locaux, les susdits locataires et leurs groupes ont accepté cette Convention et son Cahier des Charges, et sont prêts à exécuter toutes les conditions y contenues.

Votre Excellence sait qu'ayant fait les études de cette ligne, et préparé de longue date le capital nécessaire, nous sommes prêts à attaquer les travaux dès le lendemain du jour que le Gouvernement Impérial nous le permettra, et à livrer toute la ligne à l'exploitation en dedans du terme prévu par la Convention.

Par les déclarations qui précèdent le Gouvernement Impérial a la preuve la plus efficace que s'il nous aurait permis d'exercer ce droit par la communication en temps dû des documents qui viennent de parvenir à notre connaissance par la voie des journaux il y a à peine dix jours, il y aurait déjà un mois que nous aurions attaqué les travaux en poursuivant vigoureusement leur achèvement.

Il va de soi que nous tenons à la disposition du Gouvernement Impérial le cautionnement et les 6,000,000 fr. stipulés dans ces actes, et que nous sommes prêts à déposer les Statuts conformes aux imprimés du Gouvernement pour la constitution de la Société Anonyme Ottomane, dont le capital est assuré.

Veuillez, &c.
(Signé) L. SEEFELDER.

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No. 73.

*Colonel Ait to Foreign Office.—(Received November* 29.)

Sir,

14, *Queen Victoria Street, November* 29, 1888.

I BEG to thank you for your communication of yesterday's date informing me that a copy of my letter of the 20th instant would be forwarded to Constantinople for the information of Her Majesty's Ambassador.

I am unwilling to trouble you unnecessarily, but I think it is important that his Lordship, the Secretary of State for Foreign Affairs, should be made acquainted with a statement made by the Grand Vizier to M. Seefelder, as showing the mode in which the Sublime Porte treats the question at issue between the Government and the *locataires*.

At an interview on the 20th instant which M. Seefelder had with the Grand Vizier for the purpose of handing him the Declaration of the *locataires* that they would accept and carry out the conditions of the Kaulla Convention, his Highness refused to receive such notification unless words were added to it to the effect that in the event of M. Kaulla not being able to carry out the Concession the *locataires* would do so, and in such an event the Government would be willing to transfer it to them.

I need not comment upon such trifling with an important business, but add that the Declaration alluded to was subsequently forwarded to the Sublime Porte.

I have, &c.
(For the Locataires of the Imperial Haïdar-Pacha to Ismidt Railway),
(Signed) W. J. AIT.

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No. 74.

*Colonel Ait to Foreign Office.—(Received November* 29.)

Sir,

14, *Queen Victoria Street, November* 29, 1888.

ON the 25th instant I received telegraphic advice from Constantinople that the Council of Ministers had decided to give us fifteen days' notice to deliver up the present line, and in default of our doing so to seize it.

I received last night a further telegram advising me that official notice of this decision had been communicated to our representatives, which would expire on the 11th proximo.

From written advices also to hand, I am informed that there is no doubt it is the intention of the Turkish Government to act upon this decision unless correct particulars of our case are brought to the personal notice of the Sultan, from whom hitherto they have either been concealed or grossly misrepresented to our detriment.

Our representatives express the confident belief, in which I entirely concur, that if this step were taken His Majesty, in view of his known unwillingness to sanction any act of injustice, would not allow the Porte to put in force the step they contemplate.

There can be no doubt that the matter has now reached its most critical stage, and that practically the total sacrifice of the large interests involved, or their rescue, now depends upon the action which Her Majesty's Ambassador may be instructed to take.

In this serious emergency I venture most earnestly and urgently to solicit that the Marquis of Salisbury may be pleased to authorize Sir William White to make the personal representation to His Majesty which is suggested, or to take such other measures as his Lordship may deem sufficient for our protection.

I have, &c.
(For the Locataires of the Imperial Haïdar-Pacha to Ismidt Railway),
(Signed) W. J. AIT.

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No. 75.

*The Marquis of Salisbury to Sir W. White.*

(No. 132.)
(Telegraphic.) *Foreign Office, November* 29, 1888, 5·10 P.M.

COLONEL ALT has called to-day, in great alarm, stating that it is the intention of the Porte to seize the Haidar Pasha Railway on the 11th proximo, and asking that you should be instructed to bring the matter before the Sultan.

He has been told that it must be left to your discretion what action you should take to protect the British lessees from arbitrary treatment pending an equitable decision on their claims.

Please report present situation, and whether further steps are necessary or possible to prevent the threatened seizure.

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No. 76.

*Sir W. White to the Marquis of Salisbury.—(Received November* 30, 4·30 P.M.)

(No. 86.)
(Telegraphic.) *Constantinople, November* 30, 1888, 2·5 P.M.

YOUR Lordship's telegram No. 132 of yesterday.

I have just seen Baron Calice, who has acted lately with us at the Porte with reference to Haïdar-Pacha Railway (an Austrian subject being one of the four lessees), and we both are of opinion that we have exhausted all diplomatic means within our power in cautioning the Porte not to proceed to the seizure of the line without first obtaining a legal sentence on the points of conflict between itself and the lessees. It is greatly to be feared that the Porte will disregard our repeated protests and representations; it is quite inexplicable why the Ottoman Government is bent on putting itself wrong technically and legally in this matter.

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No. 77.

*Foreign Office to Colonel Alt.*

*Foreign Office, November* 30, 1888.

Sir,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 29th instant, stating that a Declaration has been handed to the Porte on behalf of the lessees of the Haïdar-Pacha-Ismidt Railway, placing on record that they are prepared to accept and carry out the conditions of the Kaulla Convention for the extension of the existing line to Angora.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

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No. 78.

*Sir W. White to the Marquis of Salisbury.—(Received December* 1.)

(No. 466.) *Constantinople, November* 24, 1888.

My Lord,

WITH reference to my despatch No. 462 of the 22nd instant, I have the honour to inclose copy of a Memorandum which has been supplied to me by the lessees of the Haïdar-Pacha Railway line, replying to his Excellency Said Pasha's note No. 112 of the 30th ultimo.

I have forwarded a copy of the Memorandum to the Minister for Foreign Affairs, and have expressed the hope that this matter, in which Her Majesty's Embassy takes a warm interest, will receive a prompt solution.

I have furnished Mr. Pears, legal adviser to the lessees, with a copy of my note to his Excellency Said Pasha, inclosed to your Lordship in my despatch above referred to, and I have now the honour to forward copy of a letter from that gentleman thanking me for my action on his client's behalf.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure 1 in No. 78.

*Memorandum.*

C'EST impossible à admettre les conclusions de la note que la Sublime Porte a adressée à l'Ambassade le 30 Octobre dernier, au sujet du prolongement du Chemin de Fer de Haïdar-Pacha, pas plus que celles de la note du 16 Juillet, 1888.

Il y a deux questions distinctes qu'il importe de séparer: celle des différends existants entre le Gouvernement Impérial et les locataires du Chef de la Location de la ligne, et celle du droit de préférence pour le prolongement que la Convention reconnaît à ces derniers, droit qui subsiste et qui ne saurait se périmer.

Les locataires ont pris, c'est vrai, l'engagement d'exploiter la ligne au 6 pour cent de la recette brute, mais subordonné par l'Article V de la Convention et l'Article 48 du Cahier des Charges à des conditions de parachèvement des travaux, de mise en état du matériel, d'aménagement, et autres que le Gouvernement Impérial n'a pas exécutées. L'absence de ces éléments indispensables à un trafic rémunératoire et la concurrence par voie de mer que le Gouvernement Impérial a encouragé, ont rendu impossible l'exploitation de la ligne avec bénéfice. Les locataires ont été privés des revenus sur lesquels ils devaient faire une part au Gouvernement Impérial, et n'ont que subi des pertes constantes.

Le Conseil d'État, saisi en 1886 de cette contestation, a implicitement reconnu les torts du Gouvernement Impérial en proposant d'abandonner les réclamations de part et d'autre, et de concéder aux locataires le prolongement de la voie avec cession gratuite de la ligne Haïdar-Pacha et des travaux existants au-delà d'Ismidt, ce qui a été accepté de part et d'autre et qui est confirmé par le Projet de Convention arrêté au Ministère des Travaux Publics à la date du 19 (31) Mai, 1886, amendé et approuvé définitivement à la Sublime Porte le 13 (25) Août, 1887, et sanctionné par Iradé Impérial.

Le Gouvernement Impérial n'aurait donc jamais pu, comme aussi il ne l'a pas fait tirer et exercer du chef des contestations nées, un droit quelconque de résiliation de la Convention. Si le Gouvernement Impérial désire arriver encore une fois au réglement de ces contestations à l'amiable, les locataires le désirent aussi, et sont prêts à seconder le Gouvernement Impérial dans cette voie.

Mais les différends que la Commission proposée aurait à examiner n'ont rien de commun avec le droit de préférence que la Convention, toujours en vigueur, accorde aux locataires pour le prolongement de la ligne à conditions égales.

L'Article IX de la Convention, combiné avec l'Article 49 du Cahier des Charges, réserve, c'est vrai, au Gouvernement Impérial le droit de racheter le bail à tout moment, et ce à condition que les locataires soient réglés de leur avoir, et que la remise du chemin de fer demandée quatre mois à l'avance, ne se fasse que dans le mois d'Octobre qui suivra l'expiration de ce délai.

Mais c'est précisement en échange de cette réserve exorbitante de racheter à tout moment que le Gouvernement Impérial a accordé aux locataires le droit de préférence pour le prolongement de la ligne.

Cela suffit pour exclure la pensée que la dénonciation du bail puisse entraîner la caducité du droit de préférence qui a été stipulé comme faisant partie du prix de rachat.

Forts de ce droit et encouragés par la décision du Conseil d'État, les locataires ont pendant des longues années continué avec perte l'exploitation de la ligne et travaillé à grands frais à faire l'étude de son prolongement et à faire admettre l'idée de cette grande entreprise aux capitalistes de l'Europe, dans l'espérance d'y trouver la compensation de leurs travaux et de leurs sacrifices.

Si tout à coup le projet du Chemin de Fer Asiatique a été exécuté en Europe, si des demandes concurrentes ont été adressées au Gouvernement Impérial, cela a été l'œuvre incontestable des locataires de la ligne de Haïdar-Pacha.

Malgré des titres si forts à la bienveillance du Gouvernement Impérial, titres qui auraient dû leur valoir la préférence pour la Concession à conditions inférieures, le Gouvernement Impérial refuse de leur reconnaître ce droit de préférence à conditions égales, droit que partout ailleurs ils auraient gagné, si déjà il n'était stipulé en leur faveur par la Convention. Il est vrai qu'au lendemain des propositions de M. Kaulla, son Altesse le Grand Vizir a demandé aux locataires s'ils maintenaient leur droit de préférence, mais après leur réponse affirmative, le Gouvernement Impérial a refusé de les mettre à même d'exercer ce droit. En demandant que l'Ambassade de Sa Majesté Britannique appelera l'attention de la Sublime Porte sur les faits et

considérations qui précèdent, les locataires sont convaincus que le Gouvernement de Sa Majesté le Sultan saura les apprécier et par suite donner satisfaction à la juste réclamation des locataires.

Avant de terminer les locataires croient devoir relever qu'en exerçant des droits personnels ils ne sauraient être assimilés à des sujets Ottomans. Nul ne pouvant se soustraire à sa juridiction naturelle, l'éventualité d'assimilation n'aurait pu se produire que si le Gouvernement Impérial, ainsi qu'il y était obligé par la Convention, avait reconnu la Compagnie Anonyme Ottomane que les locataires avaient formé et avait sanctionné les statuts qu'ils ont déposé depuis longtemps, et qui ont été approuvés par tous les Départements compétents et envoyée à la sanction Impériale.

Au reste, la question du droit de préférence découlant d'un Firman Impérial est au-dessus de toute contestation et ne saurait être du ressort des Tribunaux.

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Inclosure 2 in No. 78.

*Mr. Pears to Mr. Stronge.*

*2, Rue de la Banque, Constantinople, November 22, 1888.*

Sir,

I HAVE the honour to acknowledge the receipt of your letter of this day's date inclosing a copy of the note which was yesterday addressed by Sir William White to his Excellency Said Pasha, and, in reply, have on behalf of the lessees and of myself to express sincere thanks for the vigorous action which his Excellency Sir W. White has been good enough to take.

I remain, &c.
(Signed) EDWIN PEARS.

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No. 79.

*Colonel Alt to Foreign Office.—(Received December 4.)*

*14, Queen Victoria Street, London, December 4, 1888.*

Sir,

REFERRING to previous correspondence on the subject of the Haïdar-Pasha to Ismidt Railway, I beg to hand you a copy of the notice we have received in Constantinople from the Turkish Government, in which the seizure of the line is threatened on the 11th instant.

In view of the urgency of the case, I venture to suggest, for the consideration of the Marquis of Salisbury, that Her Majesty's Ambassador should, in conjunction with the Ambassadors of Germany and Austria, request the Porte to defer any action in the matter until the principals concerned—viz., the Deutsche Bank and the lessees of the line—shall have had time to come together with a view to a compromise of the existing conflicting interests.

Such a mode of procedure under the friendly auspices of the respective Embassies should result in a solution of the question which might prove satisfactory to all the parties concerned.

I beg that it may be understood that I make this suggestion without prejudice to the rights and interests of the lessees, and to show my desire to facilitate a settlement.

I have, &c.
(For the Locataires of the Imperial Haïdar-Pacha to Ismidt Railway),
(Signed) W. G. ALT.

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Inclosure in No. 79.

*Zihni Pasha to M. Seefelder.*

*Constantinople, le 14 (26) Septembre, 1888.*

(Traduction.)

A M. Seefelder, agissant au nom des locataires de la ligne de Haïdar-Pacha,

PAR mes deux lettres en date du 15 (27) Septembre, 1888, et 4 (16) Octobre, 1888, je vous avais communiqué la résolution du Gouvernement Impérial de rentrer en possession de la ligne de Haïdar-Pacha-Ismidt, et je vous avais invité à en faire la remise au Gouvernement Impérial. Comme vous ne vous êtes pas conformés jusqu'ici à cette



invitation, je me vois obligé de la renouveler pour une dernière fois, et de vous faire savoir que, si dans un délai de quinze jours vous ne faites pas la remise de la dite ligne, le Gouvernement Impérial prendra les mesures nécessaires à l'effet d'en prendre possession.

Je vous informe, en outre, qu'une Commission, composée de M. Briot, Inspecteur-Général des Ponts et Chaussées; de Mahmoud Bey, Chef du Bureau de la Direction Générale des Chemins de Fer; de Teherkézian Effendi, Ingénieur; et de Hassan Bey, Sous-Chef de Bureau de la Comptabilité, est chargée de prendre possession de la dite ligne et de toutes ses dépendances. La dite Commission devra, de concert avec les experts nommés de votre part, dresser un inventaire du matériel et approvisionnements existants, et d'en faire l'estimation.

Le Gouvernement Impérial ayant déposé au Crédit Lyonnais la somme de 100,000 fr., représentant le montant du rachat de la dite ligne, cette somme ne sera remise aux locataires qu'après que les comptes et les réclamations pendantes seront réglés.

En ce qui concerne les dites réclamations, ainsi que je vous l'ai fait savoir par ma lettre du 27 Septembre dernier, le Gouvernement Impérial, pour arriver à un réglement prompt et équitable, avait décidé la formation d'une Commission. Si vous acceptez cette proposition, je vous prie de désigner deux délégués pour prendre part aux travaux de la dite Commission.

Dans le cas contraire, vous êtes libre de recourir aux Tribunaux, conformément à l'Article XI de la Convention du 27 Mars (8 Avril), 1880.

Le Ministre du Commerce et des Travaux Publics,
(Signé) ZIHNI.

Pour traduction conforme à l'original, (L.S.)

Pour copie conforme à l'original reçu le 27 Novembre, 1888, à 5 heures du soir.
(Signé) L. SEEFELDER.

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No. 80.

*Sir W. White to the Marquis of Salisbury.—(Received December 4, 5·40 P.M.)*

(No. 88. Confidential.)
(Telegraphic.) *Constantinople, December 4, 1888, 1·20 P.M.*

ON my representing to M. Radowitz the evil effects sure to be produced by the Porte seizing arbitrarily the Haidar-Pasha Railway from its Austro-English lessees for the purpose of handing it over to the German concessionnaires, the representatives of these have called to say that they would be willing to pay the 6,000,000 fr. due to the Porte for that railway, simultaneously with its surrender, into deposit to some bank, say the "Crédit Lyonnais," which would give the former lessees full guarantee for the payment of their claim on the Porte, which otherwise they might find some difficulty in recovering.

They say they are justified in acting thus towards the Porte by Article XXXI of their Convention, which provides for the cession of the line to them free of all charges or hindrance. (See inclosure in my despatch No. 136, Commercial, of the 10th ultimo.)

I have declined to express any opinion on such a proposal, but have said I would transmit it confidentially for Colonel Alt's consideration through the Foreign Office, as he and his friends may think it worth consideration.

It would be very desirable that Colonel Alt should state, at any rate approximately, what sum would be accepted by himself and his associates in full satisfaction of their claims.

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No. 81.

*Sir W. White to the Marquis of Salisbury.—(Received by telegraph December 4.)*

(No. 478. Ext. 88.)
My Lord, *Constantinople, December 4, 1888.*

WITH reference to my immediately preceding despatch on the subject of the Haïdar-Pacha Railway, I have the honour to report that on my representing to

M. de Radowitz the serious consequences which would ensue if the Porte arbitrarily seized the line for the purpose of handing it over to the German concessionnaires, his Excellency arranged that M. Kaulla, and M. Kühlmann, one of his associates, should call upon me and explain their present attitude in the matter.

I now inclose to your Lordship a statement which was taken down in my presence from M. Kühlmann's dictation, pointing out that, according to the XXXIst Article of the Kaulla Convention, the Porte engages to hand over the existing line to the concessionnaires free of all charges or impediments. This condition would not be fulfilled if the line were handed over without a previous arrangement with the lessees, and the German concessionnaires would therefore refuse to pay over to the Porte the stipulated 6,000,000 fr. They would, however, pay the money into some bank, for example, the Crédit Lyonnais, and the Porte would be unable to obtain it until it had settled with the lessees. Colonel Alt and his associates would thus have a better guarantee than is afforded by the possession of the railway, which, it is stated, produces no net revenue.

I abstained from making any observations on this statement, and merely informed M. Kaulla that I would confidentially transmit it through the Foreign Office to Colonel Alt, who would be the best judge of his own interests.

I have already explained to your Lordship that the Concession to the Kaulla group has been granted beyond the power of recall, and that the lessees must now be prepared to accept compensation for any rights they may have stipulated. Under these circumstances it would, I think, be very desirable that Colonel Alt should state, at least approximately, what sum would be accepted by the lessees in satisfaction of their claims, more especially as the Porte informed me, confidentially, in its note of the 2nd instant, that it had deposited a sum of money in accordance with Article IX of Colonel Alt's Convention.

I had the honour to send your Lordship the substance of this despatch to-day by telegraph.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure in No. 81.

*Statement by M. Kühlmann.*

ARTICLE XXXI dit: "Dans le délai d'un mois après la remise de la susdite ligne Haïdar-Pacha-Ismidt et des susdits travaux, libre de toutes charges et empêchements, les concessionnaires payeront au Gouvernement Impérial la somme de 6,000,000 fr."

Si même le Gouvernement Impérial aura remis la ligne de Haïdar-Ismidt à la Deutsche Bank, celle-ci ne peut pas payer les 6,000,000 fr. si la ligne n'est pas libre de toutes charges et empêchements. Dans ce cas la Deutsche Bank, pour se délivrer de son obligation vis-à-vis du Gouvernement, déposera les 6,000,000 fr. dans une banque, *ergo* le Crédit Lyonnais à Constantinople. A cette manière les créanciers Anglais ont un gage beaucoup plus sûr qu'en possédant une ligne de chemin de fer dont on prétend qu'elle ne donne pas des recettes nettes. Après le dépôt de ces 6,000,000 fr., le Gouvernement Ottoman sera beaucoup plus pressé de s'arranger avec les créanciers du chemin de fer pour attraper, au moins, une partie de cette somme. En tout cas, il consentira plus facilement, au moins, à un arbitrage pour terminer plus vite le litige.

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No. 82.

*The Marquis of Salisbury to Sir W. White.*

(No. 371.)
Sir, *Foreign Office, December 4, 1888.*

I HAVE received your Excellency's despatch No. 456, Confidential, of the 15th ultimo, and I have to express my thanks for the interesting Memorandum forwarded therein on the present financial situation in Turkey.

I am, &c.
(Signed) SALISBURY.

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No. 83.

*Sir W. White to the Marquis of Salisbury.—(Received December 5.)*

(No. 472.)
My Lord, *Constantinople, November 30, 1888.*

ON receipt of your Lordship's telegram No. 132 of yesterday's date, on the subject of the threatened seizure of the Haïdar-Pacha Railway, I at once consulted my Austrian colleague, who has latterly acted in concert with me in this matter, M. Seefelder an Austrian subject, being one of the four lessees of the line.

Both Baron Calice and I are of opinion that we have exhausted all the diplomatic means at our disposal to dissuade the Porte from proceeding to the seizure of the line without first submitting the questions in dispute between itself and the lessees to a legal decision, and in some way disposing of their claims.

I am unable to understand the motives of the Sublime Porte in thus putting itself both technically and legally in the wrong, but I greatly fear that the repeated protests and representations which have been put forward by Baron Calice and myself will remain without effect.

I have received a letter from Mr. Pears, legal adviser to the lessees, of which I inclose a copy, urging me to suggest to the Sublime Porte that arbitrators should be appointed to decide on the following points:—

1. Whether the "droit de préférence" still exists; and

2. Whether the Porte is under any obligation to deliver the line to the Kaulla group according to its Convention until it has arranged with the present *locataires* of the Haïdar-Pacha Railway. It appeared to me that such a suggestion would entail far too much interference by Her Majesty's Embassy in the details of the dispute, and although Mr. Pears was willing to modify the second point, I refused to have anything to do with a proposal for arbitration with such limitations. I informed him, however, that I would be willing to forward to the Sublime Porte a Memorandum stating the readiness of the lessees to submit their claims to arbitration, and requesting that the Porte would appoint some person to confer with them, and arrange matters of detail. Mr. Pears informed me that he would consider this suggestion, but I do not yet know whether it will be adopted by his clients.

Your Lordship is aware that the lease of the Haïdar-Pacha Railway was originally granted to four parties, of whom Mr. Alt and Messrs. Hanson were British subjects, and that the Company, which was to be formed later on, has never yet come into existence. The estate of Messrs. Hanson is now in liquidation, and it occurs to me that some of the persons now interested in the line might possibly refuse to abide by the decisions of the arbitrators. I should, therefore, be glad if your Lordship would inform me, by telegraph, whether the lessees have any representative who is legally entitled to enter into binding Agreements on their behalf. If this is not the case, it would, I think, be futile to urge arbitration on the acceptance of the Sublime Porte.

I had the honour to send your Lordship the substance of the earlier portion of this despatch, by telegraph, this day.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure in No. 83.

*Mr. Pears to Sir W. White.*

Excellency, 2, *Rue de la Banque, Constantinople, November 28, 1888.*

M. SEEFELDER informs me that he has shown Mr. Stronge the letter which Zihni Pasha, Minister of Public Works, has addressed to the *locataires* of the Haïdar-Pacha Railway. Your Excellency will thus have learnt that the threats of an arbitrary seizure of the line which were made to M. Seefelder last week have taken a definite form, and that this has been done, notwithstanding the note addressed by your Excellency to Said Pasha on the 21st instant, and one of similar tenour addressed, I believe, on the same day, by Baron Calice.

Your Excellency formally requested "that the Porte would refrain from taking any arbitrary or administrative action with a view to obtain possession of the line until the rights of the *locataires* have been determined." This request has been entirely disregarded, and the *locataires* are now in presence of a distinct notification that the arbitrary measures threatened will be carried into effect within thirteen days.

It is unnecessary to point out that such a seizure is in flagrant opposition to the stipulations of the Convention and "Cahier des Charges," which specify precisely how and when the delivery of the line ought to be made. I need not point out to your Excellency that the *locataires* are under present circumstances absolutely powerless, and their sole hope of escaping the injury thus threatened lies in the action of Her Majesty's Embassy.

Subject, however, to your Excellency's judgment or suggestion, I would venture to indicate that it might be suggested to the Porte that arbitrators should be named to examine the following questions:—

1. Whether the "droit de préférence" still exists; and

2. Whether the Porte is under any obligation whatever to deliver the line to the Knulla group, according to its Convention, until it has arranged with the present *locataires* of the Haïdar-Pacha Railway.

In conclusion, should your Excellency desire to have any further explanations on the subject, I shall be at any time ready, either alone or with M. Seefelder, to attend and furnish the same.

I have, &c.
(Signed) EDWIN PEARS.

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No. 84.

*Colonel Alt to Foreign Office.—(Received December 5.)*

Sir, 14, *Queen Victoria Street, December 5*, 1888.

REFERRING to my interview to-day with Sir Thomas Sanderson, and, in reply to the communication he was good enough to make to me on the subject of despatches received from Her Majesty's Ambassador at Constantinople, I now beg to inclose, for the information of the Marquis of Salisbury, and for transmission to Sir William White, a summary of the outlay made by the *locataires* in connection with the Haïdar-Pasha to Ismidt Railway, to October last, amounting to 261,805*l.*, apart from further expenditure, particulars of which have not yet been received or made up, and exclusive of the interest or participation to which we are entitled under our rights of preference in the benefits to be derived from the extensions of the line.

With regard to the proposal of the representative of the German concessionnaires (to pay the 6,000,000 fr. due to the Porte for the railway simultaneously with its surrender into deposit with some bank, say, the Crédit Lyonnais, which would guarantee full payment of the claim of the *locataires* on the Porte), this is an arrangement to which I could make no objection, provided it were clearly understood with the Ottoman Government that all questions in dispute between it and the *locataires* should be referred to arbitration in the usual manner, and that the bank in question should pay over to us the amount of the award in our favour to the extent of the 6,000,000 fr., and provided also that an agreement should be come to between the German concessionnaires and the *locataires* regarding the participation of the latter in the extensions previous to the line being handed over.

In view of the disposition which appears to have been exhibited on the part of the German concessionnaires to meet our just and reasonable claims in an equitable manner, I would venture to repeat, for the consideration of the Marquis of Salisbury, the suggestion I made in my letter of yesterday that the Porte should be requested to defer any action until we shall have had time to come to an understanding with the said concessionnaires.

I have little doubt that with the kindly and valuable assistance of the Secretary of State and of Sir William White, an arrangement may be come to by which, in consideration of a share in the extensions for which we have been working for so many years, we could modify the payment to be received in cash on account of the existing line, and so relieve some portion of the 6,000,000 fr. for the benefit of the Turkish Government.

I have, &c.
(For the Locataires of the Imperial Haïdar-Pacha to Ismidt Railway),
(Signed) W. J. ALT.

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Inclosure in No. 84.

*Summary.*

APPROXIMATE Statement *vis-à-vis* the Turkish Government of Outlay in connection with the Haïdar-Pacha to Ismidt Railway, from April 1880 to September 1888, and October 1888.

| 1888. | | £ s. d. |
|---|---|---|
| Oct. 21 | 1. To advances to the Government, with 10 per cent. interest .. .. .. .. .. | 30,623 17 4 |
| Sept. 30 | 2. To amount expended on works executed, with 10 per cent. interest .. .. .. .. | 166,417 12 1 |
| Sept. 30 | 3. To construction, delivery, and insurance of steam-ship "Haïdar-Pacha," with 10 per cent. interest .. | 32,973 19 7 |
| Sept. 30 | 4. To legal and other expenses, including Mr. Newman's journey to Constantinople, extending over a period of 8½ years, with 10 per cent. interest .. .. | 17,011 19 0 |
| Sept. 30 | 5. To London Administration, including salaries, rents, stationery, printing, office expenses, &c., at 2,000*l.* per annum, with 10 per cent. interest .. .. | 24,778 0 0 |
| | Total .. .. .. .. | 261,805 8 0 |

*Memorandum.*—Payment for stores on hand, material for permanent way, bridges, &c.

*Dependency.*—1. *Re* steamer account, maintenance in Constantinople estimated at 700*l.* per annum.

2. Cost of various surveys.

3. Travelling expenses.

4. Indemnity for the right of preference on extension.

(Signed) W. J. ALT.

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No. 85.

*The Marquis of Salisbury to Sir W. White.*

(No. 134.)
(Telegraphic.) *Foreign Office, December 6*, 1888, 3:45 P.M.

COLONEL ALT says he represents whole capital of lessees.

He would accept proposal of German concessionnaires provided it were accompanied by an agreement as to participation in extensions of railway, and by distinct understanding with Porte that questions now in dispute shall be referred to arbitration, and award paid from money deposited.

He estimates outlay on the railway with 10 per cent. interest at 260,000*l.*, exclusive of some supplementary items, and of claim for indemnity or participation in extensions of railway, on account of rights of preference granted to lessees.

He suggests that Porte might be requested by all parties to stay proceedings in order to give time for arrangement, and seems disposed to abate claim for money spent in consideration of participation in extensions.

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No. 86.

*The Marquis of Salisbury to Sir W. White.*

(No. 374.)
Sir, *Foreign Office, December 7*, 1888.

I HAVE received your Excellency's despatch No. 462, Confidential, of the 22nd ultimo, relative to the case of the lessees of the Haïdar-Pasha-Ismidt Railway.

The action which your Excellency has taken to protect the lessees from any arbitrary seizure of the line is approved. You will continue to use your efforts for this purpose, and you should leave no doubt of the very serious view which Her Majesty's Government would take of any attempt to subject the rights and property

of British subjects to measures of seizure and confiscation without resort to judicial proceedings or equitable arbitration.

I am, &c.
(Signed) SALISBURY.

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No. 87.

*Sir W. White to the Marquis of Salisbury.*—(*Received December* 10.)

(No. 477.)
*Constantinople, December* 4, 1888.

My Lord,

WITH reference to my despatch No. 472 of the 30th ultimo relative to the Haïdar-Pasha Railway, I have the honour to inclose copy of a letter which I have received from Mr. Pears, stating that his clients might be induced to accept an arbitration for the settlement of all the questions pending between them and the Sublime Porte.

As Mr. Pears had thus withdrawn the restrictions which he had previously placed on the proposal for arbitration, I felt I should be justified in forwarding his letter to the Porte, and I now inclose to your Lordship a copy of the covering letter which I addressed to the Minister for Foreign Affairs.

I have since received his Excellency Saïd Pasha's reply (copy inclosed), which I regret to say is not altogether satisfactory. His Excellency entirely denies the right of Her Majesty's Embassy to interfere on behalf of the lessees, on the ground that the IXth Article of the Convention excludes any such intervention. He goes on to state confidentially that the lessees have failed to keep their engagements, but adds that the Porte has no intention of disregarding any right which they might be able legally to establish, and that the Government has already deposited a sum of money in accordance with Article IX of the Convention. The lessees should therefore, he contends, hand over the line and thus avoid exposing themselves to the measures which will otherwise be forced on the Government by a regard for its own interests.

I have not sent any rejoinder to this communication, and I do not at present see my way to taking any further action until I receive further instructions from your Lordship. The suggestion contained in your Lordship's despatch No. 354, that a Commission should examine into the claims of the lessees, would not, I think, lead to an entirely satisfactory solution. Such a Commission would always be open to the suspicion of Government influence, and I may add that the Grand Vizier informed Sir A. Sandison in conversation to-day that a Commission would already have been appointed if the lessees had shown any disposition to accept such an arrangement.

I have, &c.
(Signed) W. A. WHITE.

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Inclosure 1 in No. 87.

*Mr. Pears to Sir W. White.*

*Constantinople, le* 30 *Novembre*, 1888.

Excellence,

LA notification que le Ministère des Travaux Publics a fait à M. Seefelder, ès qualités, le 27 de ce mois, d'avoir à remettre la ligne de Haïdar-Pacha, dans le délai de quinze jours, sous peine de dépossession coercitive, est contraire aux actes qui régissent la location (Article IX de la Convention et 49 du Cahier des Charges).

Il est certain que le Gouvernement Impérial, jaloux de son crédit, ne mettra pas à exécution la menace d'un acte aussi arbitraire, nonobstant les protestations de votre Excellence et les conséquences graves de toute nature qui pourraient en résulter.

Mais si votre Excellence estime qu'afin de simplifier la situation il serait opportun de soumettre à un arbitrage souverain toutes les questions pendantes, mes mandants pourraient être amenés à accepter cet arbitrage.

Veuillez, &c.
(Signé) EDWIN PEARS.

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Inclosure 2 in No. 87.

*Sir W. White to Saïd Pasha.*

M. le Ministre,

*Constantinople, December* 1, 1888.

I HAVE the honour to refer your Excellency to my note of the 24th ultimo, on the subject of the rights of the lessees of the Haïdar-Pacha Railway, and to state that I have learnt, to my great surprise and regret, that the Imperial authorities informed M. Seefelder, on the 26th instant, that the line would be seized unless surrendered within fifteen days.

I still hope and believe that the Sublime Porte will refrain from adopting this course, which would lead to serious embarrassments, and that it will accept a proposal for arbitration.

I inclose to your Excellency herewith copy of a letter which I have received from Mr. Pears, stating, on behalf of the lessees, that they might be brought to agree to arbitration as affording a possible solution of all the questions pending between themselves and the Sublime Porte.

I trust that under these circumstances the Sublime Porte will not disregard the repeated friendly remonstrances of Her Majesty's Embassy by taking any arbitrary or administrative action.

I avail, &c.
(Signed) W. A. WHITE.

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Inclosure 3 in No. 87.

*Saïd Pasha to Sir W. White.*

M. l'Ambassadeur,

*Sublime Porte, le* 2 *Décembre*, 1888.

J'AI eu l'honneur de recevoir les notes que votre Excellence a bien voulu m'adresser en date du 21 et 24 Novembre et 1er Décembre, relativement au différend surgi entre le Gouvernement Impérial et la Compagnie des locataires de la ligne de Haïdar-Pacha à Ismidt.

Votre Excellence n'ignore pas que le bail de cette ligne a été donné à Messrs. Seefelder, Charles S. Hanson, et Cie., W. J. Alt, et G. O. Zafiropoulo appartenant à diverses nationalités, en vertu d'une Convention spéciale en date du 27 Mars (8 Avril), 1880, à la condition qu'ils seraient assimilés aux sujets Ottomans pour tout ce qui concerne l'interprétation et l'exécution de la dite Convention.

Plusieurs stipulations de cet acte qui régit les relations des locataires avec le Gouvernement Impérial établissent clairement la pensée des contractants de vouloir exclure toute intervention ou immixtion de la part d'une Mission étrangère quelconque. Pour s'en convaincre il suffirait de se rapporter entre autres, à l'Article XI de la susdite Convention.

L'Ambassade de Sa Majesté Britannique voudra bien dès lors reconnaître que ce serait transgresser, aussi bien le texte que l'esprit du Contrat qui fait la loi des parties, que d'admettre aujourd'hui avec les Missions dont quelques-uns des locataires relèvent, la discussion des points litigieux qui motivent l'action administrative ou judiciaire de l'État.

Dans ces conditions, tout en regrettant de ne pouvoir entrer dans l'examen des considérations que M. Seefelder, l'un des locataires, a soumises à l'Ambassade de Sa Majesté la Reine, j'ajouterai, pour édifier votre Excellence et cela à titre purement privé, que quoique les locataires aient été en défaut dans l'exécution de leurs engagements et qu'ils se trouvent actuellement débiteurs envers le Gouvernement Impérial de sommes considérables pour avoir laissé pendant nombre d'années en souffrance le loyer de la ligne, la Sublime Porte n'a nullement l'intention de les léser dans les droits qu'ils pourraient légalement établir et que déjà elle a dépassé les fonds déterminés dans l'Article IX de la Convention. Les locataires devront par conséquent livrer sans retard la ligne dont la rétrocession leur est demandé en vertu même du dit Article, s'ils ne veulent pas s'exposer aux mesures que l'État a le droit de prendre tant en sa qualité de propriétaire et à raison des stipulations du Contrat, que pour la sauvegarde de ses propres intérêts généraux.

Veuillez, &c.
(Signé) SAÏD.

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No. 88.

*Mr. Caillard to Foreign Office.—(Received December 10.)*

*Constantinople, December 6, 1888.*

Sir,

I HAVE the honour to acknowledge the receipt of your letter of the 26th ultimo in regard to the Concession recently granted by the Porte for the extension of railway communication in Asia Minor, and am gratified to learn that the views of the Secretary of State concur with those I expressed in my letter of the 19th ultimo.

The Council of Ministers here recently decided to take over the Haïdar-Pacha-Ismidt line by force, after fifteen days' notice had been given to Messrs. Alt and Seefelder, if these gentlemen did not comply with the said notice.

The period of fifteen days is now nearly over, but I have just been informed that a further extension of fifteen days has been granted.

I have made suggestions in the proper quarters that the course you describe should be carried out; and further, that the new concessionnaires should not pay to the Government, in any case, the 6,000,000 fr. which formed the price of the Haïdar-Pacha-Ismidt line until the claim of the lessees has been satisfactorily settled.

I am not yet able to state what result these suggestions will produce, but I feel hopeful that the matter may be arranged in the manner desired within a reasonable time.

I have, &c.
(Signed) VINCENT CAILLARD.

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No. 89.

*Colonel Alt to Foreign Office.—(Received December 10.)*

14, *Queen Victoria Street, London, December 10, 1888.*

Sir,

AS I understand that up to this morning the Foreign Office had not received any telegram from Sir William White in reply to the last communication made to him on the subject of the threatened arbitrary measures on the part of the Porte, I am pressed by our financial friends interested with me in the Ismidt Railway to beg that his Lordship the Marquis of Salisbury will be kind enough to telegraph to Sir William White, requesting him to send in a strong protest to the Turkish Government to-morrow, should they then persist in carrying out their threatened act of injustice.

Our friends consider such a step the more necessary, as, according to a Reuter's telegram in the "Times" of to-day, it is stated that the Turkish Government will not concede any further time.

I have, &c.
(Signed) W. J. ALT.

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No. 90.

*The Marquis of Salisbury to Sir W. White.*

(No. 382.)

*Foreign Office, December 10, 1888.*

Sir,

THE Turkish Ambassador informed me to-day, in answer to a message that had been sent to his Excellency some days ago, that he had inquired of his Government as to the position of the controversy that had arisen in the matter of the Haïdar-Pasha-Ismidt Railway. His Excellency had never been instructed on the subject, and the reason which had prevented the Turkish Foreign Office from communicating with him upon it was that, by the terms of the Concession, it was specially provided that all differences between the concessionnaires and the Ottoman Government were to be settled by the Ottoman Tribunals, according to Ottoman law, just as if they had been subjects of the Sultan. His Excellency thought, therefore, that, until the Tribunals had been appealed to, there was no ground for diplomatic intervention.

I said that I believed that British interests were involved on both sides of the controversy, and that of course if we considered that on either side injustice was being done, we should take measures to bring the matter diplomatically before the Porte, but that in the present stage of the proceedings, we did not propose to take any steps



that would have the effect of withdrawing the matter from the cognizance of the Ottoman Tribunals.

I am, &c.
(Signed) SALISBURY.

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No. 91.

*The Marquis of Salisbury to Sir W. White.*

(No. 135.)
(Telegraphic.)

*Foreign Office, December 11, 1888, 4·10 P.M.*

HAIDAR-PASHA Railway.

Has any further progress been made, or has Porte granted delay? Lessee calls here daily, and hearing nothing from his agent feels very anxious.

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No. 92.

*Sir W. White to the Marquis of Salisbury.—(Received December 12, 2·45 P.M.)*

(No. 90.)
(Telegraphic.)

*Constantinople, December 12, 1888, 1·50 P.M.*

YOUR Lordship's telegram No. 135: Haïdar-Pasha Railway.

Case watched unceasingly. Grand Vizier continues holding the same language, but disposed to grant a fortnight's delay if asked for. I am not aware whether such an application has been made from any quarter, but if coming from lessees without some previous understanding, it would be tantamount to an indirect admission of a right of administrative seizure, and after a fortnight matter would be in a worse situation. I have just met the Austrian lessee, who agrees with me on this point, and has presented a fresh protest to the Minister of Public Works.

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No. 93.

*Sir W. White to the Marquis of Salisbury.—(Received by telegraph, December 12.)*

(No. 493. Ext. 90.)

My Lord,

*Constantinople, December 12, 1888.*

I HAVE the honour to report that the Grand Vizier still holds the same language with regard to the Haïdar-Pasha Railway, but appears disposed to grant a delay of another fortnight to the lessees if an application is made to the Porte.

I am not aware that any such wish exists on the part of the lessees, and M. Seefelder, the Austrian lessee, who has just called at Her Majesty's Embassy, agrees with me in thinking that, unless some previous understanding were come to, such an application is unadvisable, as implying indirectly an admission of the claim put forward by the Ottoman Government to deal with the case administratively, *i.e.*, without the interference of Law Courts.

It is much to be feared that even after such delay the case would almost be in a worse situation, unless a satisfactory agreement was concluded within that interval.

M. Seefelder has presented a fresh protest to the Minister of Public Works, and I continue to watch the case unceasingly through Sir A. Sandison.

I had the honour to forward the substance of the above to your Lordship by telegraph to-day.

I have, &c.
(Signed) W. A. WHITE.

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No. 94.

*Foreign Office to Colonel Alt.*

Sir,

*Foreign Office, December 13, 1888.*

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 10th instant, requesting that Her Majesty's Ambassador at Constantinople

may be instructed, by telegraph, to send in a strong protest to the Turkish Government should they persist in taking forcible possession of the Haïdar-Pasha-Ismidt Railway.

I am to state, in reply, that Sir W. White has already addressed to the Porte a formal request in writing to abstain from any arbitrary action, and that Lord Salisbury does not consider that, in the present state of the case, he can undertake to instruct his Excellency to take further action.

I am, &c.
(Signed) P. CURRIE.

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No. 95.

*Mr. Wilkin to the Foreign Office.—(Received December 22.)*

14, *Queen Victoria Street, London, December* 22, 1888.

Sir,

I BEG to inform you that our recent advices from Constantinople state that the Turkish Government are laying stress on the reply which was given by Sir James Fergusson to Sir Robert Fowler on the 27th November on the question of the Asia Minor railways.

The Turkish Government construe this reply to mean that our own Government advised that the whole question should be decided by the Ottoman Tribunals, and that the Turkish Government are entitled to take possession of the line of Haïdar-Pasha-Ismidt Railway before the solution of the question either by arbitration or by the Tribunals. If this impression of the Porte should be allowed to exist without contradiction, I need hardly tell you what injury it causes to our interests.

We have always understood, and, in fact, we have been informed by the Foreign Office, that Sir William White's instructions are, and have been all along, to prevent any arbitrary seizure of our railway. If the Turks should seize our line, our only security for large sums spent on it will have been taken out of our hands, which I am sure our Government will never sanction.

I venture to hope that, owing to the gravity of the case, his Lordship the Marquis of Salisbury may be pleased to send telegraphic instructions to Sir William White to remove this impression from the minds of the Turkish Ministers.

The present acute stage of this business will, I trust, plead as my apology for troubling you.

I have, &c.
(On behalf of the Lessees of the Imperial Haïdar-Pasha to Ismidt Railway),
(Signed) MARMADUKE WILKIN.

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No. 96.

*Memorandum by Mr. Lander.*

AFTER several years' suspension of dividends on their foreign loans, the Turks, in December 1881, voluntarily came to an agreement (of which the foreign Governments had a knowledge, and of which they, unofficially, approved) with the bondholders, by which, after considerably reducing the capital of the outstanding loans, the Turkish Government agreed to pay a dividend of 1 per cent. per annum on such reduced capital, and, to secure this, assigned certain revenues to be administered and controlled by a Council composed of members representing the bondholders of England, France, Germany, Austria, Italy, Belgium, and Holland. Up to to-day this agreement has worked well, and the revenues, under the able management of this Council, have improved. Latterly signs of weakness in the Council have been apparent, for instance, the lending of 35,000*l.* of the bondholders' money to the Government.

It has now been suggested (and it is beleived that a proposal has actually been presented to the Sultan) that the bondholders' Council should be done away with, a new 3 per Cent. Stock shall be created, which shall absorb the Public Debt now administered as referred to, and all other Ottoman loans (regardless of the terms on which the loans were raised), and that the capital of the Public Debt be reduced so as to be equivalent to a Stock bearing a 1 per cent. interest. A new Company or Bank*

* Rumoured to be "German-Italian."



is to be created, which shall farm the revenues assigned to the new Stock for a fixed annual sum to be paid to the Government, and to be used by it in payment of the interest on the new 3 per Cent. Stock, dividing with the Government the excess, if any, of the proceeds of the revenues over the sum required for interest, and the Government to make good any deficit in the amount.

The object of those interested in pushing such a proposal is evidently that they may have the handling of the revenues now assigned to the bondholders, and it is to be feared that were such project to be carried out, they would not oppose, at least not very earnestly, the most probable request of the Minister of Finance to be allowed to borrow, until wanted for the payment of interest on the new Stock, the proceeds of the revenues coming in from time to time.

Looking at the normal condition of the Treasury, may it not be asked if, when the interest becomes due, the money will be forthcoming?

*December* 22, 1888.

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No. 97.

*The Marquis of Salisbury to Sir W. White.*

(No. 140.)
(Telegraphic.) *Foreign Office, December* 24, 1888, 1·20 P.M.

WILKIN informs us that Porte concludes from an answer of Sir J. Fergusson's that we consider the Turks entitled to seize the Haïdar line without any authority from the Ottoman Tribunals.

We have expressed no such opinion. Pray remove misapprehension if it exists.

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No. 98.

*Sir W. White to the Marquis of Salisbury.—(Received December* 26, 4·30 P.M.)

(No. 92.)
(Telegraphic.) *Constantinople, December* 26, 1888, 2·20 P.M.

HAÏDAR-PASHA Railway.

From a conversation that Sir A. Sandison had with the Grand Vizier this morning, I am afraid that the Ottoman Government intend disregarding our repeated and energetic protests, and seizing the above line arbitrarily.

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No. 99.

*Lieutenant-Colonel Trotter to Sir W. White.—(Received at the Foreign Office, December* 27.)

(No. 22.)
Sir, *Constantinople, December* 14, 1888.

THE successful negotiation of the Kaulla Loan has given a great impetus to the purchase of war material on the part of the Ottoman Government, 367,000 Turkish liras having been allotted for that purpose.

Messrs. Krupp and Co. have received 150,000*l.*, which includes payment in full of the balance due on account of the large orders given in 1885 and 1886. That order, it will be recollected, was for seven 14-inch guns (35·5-centim.); thirty-five 10-inch guns (24-centim.); fifty rifled barrel mortars; and eleven hundred field-guns of 8·7-centim. and 7·5-centim. calibre. The whole of these have been delivered with the exception of five of the 35·5-centim. guns and a few of the 24-centim. guns, the whole of which, however, are completed and ready for dispatch, and should be delivered here by the 1st March next. When this is done the armament of the Bosphorus and Dardanelles forts, both actual and prospective, will be provided for.

The above payment also includes the price of a large quantity of ammunition for the field guns.

Ample supplies of ammunition for the large guns already exist in store.

Negotiations are in progress with Messrs. Krupp and Co. for the supply of heavy guns for arming the fortresses of Adrianople and Erzeroum. I shall report further on this subject when the negotiations are complete.

Messrs. Mauser and Co. have received 157,500*l.*, of which 86,500*l.* are payments

on account of rifles to be delivered and 71,000*l.* on account of cartridges for the Mauser rifles.

About 30,000 rifles have already been delivered at Constantinople, and are being delivered at the rate of 1,300 a week, which number will shortly be increased to 1,500.

The payment for cartridges is the first that has been made on that account. The original contract was for 100,000 cases of 1,000 cartridges each, that is to say, 100 million cartridges, or 200 rounds per rifle. As no money was forthcoming the contract remained in abeyance, but now that funds are provided the manufacture will at once be commenced.

The Germania Ship-building Company has also been paid 60,000*l.*, being the first instalment paid on the contract for ships reported on by Captain Kane, R.N., in his despatch of the 6th December, 1886.

This last payment is very important, as it proves that the Sultan intends to carry out the contract made with this Company, a project which it was generally believed had been abandoned.

The ships ordered were:—

Two torpedo catchers (70 and 50 metres long).

Ten torpedo boats (one of 43 and nine of 39 metres length).

Some of these, I understand, are nearly ready for delivery.

I have, &c.

(Signed) HENRY TROTTER, *Lieutenant-Colonel, Military Attaché.*

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No. 100.

*The Marquis of Salisbury to Sir W. White.*

(No. 398. Secret.) *Foreign Office, December* 28, 1888.

Sir,

I TRANSMIT to you herewith, for your confidential information, a Memorandum communicated by Mr. Lander, the Secretary of the London Agency of the Imperial Ottoman Bank.*

It refers, as your Excellency will perceive, to an alleged proposal for the abolition of the Council of the Foreign Bondholders, the creation of a new 3 per cent. stock to absorb the whole of the Public Debt of Turkey, the capital of which will be compulsorily reduced, and the establishment of a new Company or Bank who will farm the revenues assigned to the new stock.

In handing this Memorandum to Sir Julian Pauncefote on the 22nd instant, Mr. Lander said that he was anxious to warn Her Majesty's Government of the intrigues which were going on at Constantinople to the detriment of British interests.

A clique, headed by the Italian Ambassador, was working to supplant the Ottoman Bank by the establishment of an Italian and German Bank, and Mr. Caillard was mixed up in the affair in a way that is prejudicial to the British bondholders and to British interests generally.

Mr. Lander further declared that the Council of the Foreign Bondholders was not to be trusted, for they had recently lent the Sultan 35,000*l.* of the bondholders' money (which was a clear breach of trust), and there was now a scheme to take out of the control of the bondholders the revenues assigned to them as a security for the payment of interest, and for diverting the proceeds of those revenues from the Ottoman Bank to the new Bank, who will receive them as agents of the Sultan, and not as agents of the bondholders, so that the Sultan will have the handling of the funds.

Mr. Lander added that the attempt of the Porte to seize the Haïdar-Pacha-Ismidt Railway was part of the same scheme for supplanting British interests and trampling on British rights for the benefit of Baron Blanc, the Deutsche Bank, and the rest of the group, and he hinted that Mr. Caillard was to derive benefit from the transaction, though he had totally failed to obtain the financial support in London which he had undertaken to bring into the concern.

I am aware from your Excellency's despatches of your views respecting the Ottoman Bank, and of the probability that an effort would be made to create another foreign Bank at Constantinople to combat the monopoly which it has hitherto enjoyed, but I think

* No. 96.



it right to communicate to you Mr. Lander's statements, in case you should have any observations to offer in regard to them.

I am, &c.

(Signed) SALISBURY.

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No. 101.

*Mr. Wilkin to Foreign Office.—(Received December* 29.)

Sir, 14, *Queen Victoria Street, London, December* 28, 1888.

I AM very sorry, indeed, to be under the necessity of addressing you again on the subject of our railway.

On the 24th instant we received an intimation, for the first time, from Constantinople, that the Deutsche Bank was disposed to make a fusion with our financial group for carrying out the extensions of the Asia Minor railways, and our financial friends were peremptorily called upon to produce at once a guarantee as to their portion of the undertaking.

We replied immediately, stating that no bank or financial group would commit itself without knowing the particulars of the financial scheme for carrying out the railways, and upon which such an arrangement for a fusion would be based. We also stated that such arrangement would be between our group and the Deutsche Bank, and not the *locataires*; the claims, therefore, of the *locataires* would still remain in force, and would have to be satisfied by the scheme as a whole, both as regards the outlay on the line and the indemnity for surrendering the preferential clause for extensions. We likewise stated that this proposition reached us during the beginning of Christmas week, when business generally in our market was more or less at a standstill.

We were hardly in possession of this proposition of the Deutsche Bank by letter than we received a peremptory telegram, calling upon our group to give an answer at once. It is hardly necessary for me to dwell upon the unreasonableness and unjustifiableness of such a procedure on the part of the Turkish Government.

A telegraphic communication from Constantinople appears in the papers to-day, to the effect that the Turkish Government have given notice that they will seize the line within a week, that is to say, before our financial group have had an opportunity of knowing the particulars of the financial scheme of the Deutsche Bank, and giving it that serious consideration which such an important business would call for.

I venture to ask respectfully that our Government will protect us from such an injustice which is threatened to be inflicted upon us, and that his Lordship the Marquis of Salisbury may be pleased to send such telegraphic instructions to Sir William White as his Lordship may deem necessary under the circumstances.

Begging again to apologise for this intrusion on your valuable time, I am, &c.

(For the Locataires of the Imperial Haïdar-Pasha to Ismidt Railway),

(Signed) MARMADUKE WILKIN.

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No. 102.

*Sir W. White to the Marquis of Salisbury.—(Received by telegraph, December* 29.)

(No. 515. Ext. 92 and 94.)

My Lord, *Constantinople, December* 29, 1888.

ON the 26th instant I had the honour to report to your Lordship, by telegraph, that Sir A. Sandison had had a conversation with the Grand Vizier that morning, which led me to fear that our repeated and energetic protests were likely to be disregarded, and that the Ottoman Government intends to proceed to the arbitrary seizure of the Haïdar-Pasha Railway.

I further had the honour of telegraphing to your Lordship to-day with reference to your telegram No. 140 of the 24th instant, that, from what I had been able to ascertain, any alleged misapprehension on the part of the Sublime Porte had been caused by the contents of a report from Rustem Pasha.

I received a visit from the Grand Vizier this morning, and availed myself of this opportunity of setting his Highness right as to the impossibility of the view taken of

this question by the Ottoman Government being accepted by us until a competent Tribunal had sifted and adjudicated on the differences with regard to which they were at issue with the lessees. To the Grand Vizier's statement, that these gentlemen had not paid any rent for six or seven years, and had not fulfilled their obligations to the Ottoman Government, I replied that this was denied by the lessees, who maintained that they possessed considerable counter-claims, but that questions such as these were matters for investigation before a Court of Law, and that the seizure of the line without having first obtained the sentence of a Tribunal would be an unjustifiable act of violence, and that the indebtedness of the lessees should certainly be proved before and not after such a proceeding.

The question of the alleged willingness of the German concessionnaires to accept a group of English capitalists as participators in the construction of the Asiatic line was then adverted to by his Highness, who expressed a wish that Rustem Pasha and Colonel Alt should discuss the subject in London, and promised that instructions, with a view to bringing about negotiations for an arrangement, should be sent to the Ottoman Ambassador.

Mr. Pears, who is acting as legal adviser for the lessees at Constantinople, and whom I have seen since my interview with the Grand Vizier, promised me to recommend his clients to endeavour to come to an arrangement with the German concessionnaires through Rustem Pasha's mediation.

I have, &c.
(Signed) W. A. WHITE.

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## No. 103.

*Sir W. White to the Marquis of Salisbury.*—(*Received December* 30.)

(No. 94.)
(Telegraphic.)

*Constantinople, December* 29, 1888.

YOUR telegram No. 140 of the 24th instant.

As far as I can gather, the alleged misapprehension of the Porte has been due to the contents of a Report received from the Ottoman Ambassador in London.

The Grand Vizier called upon me this morning, and I took occasion to set his Highness right as to the impossibility of our accepting the Turkish view of the question as long as the differences at issue have not been sifted and adjudicated upon by a competent Tribunal.

His Highness stated that the lessees had not fulfilled their obligations to the Government, and had paid no rent for six or seven years.

To this I replied that these gentlemen denied all this, and stated that they had considerable counter-claims, but these questions were matters for judicial investigation; proof of the lessees' indebtedness should precede the seizure of the line, a proceeding which, without previous sentence of a Tribunal, would constitute an unjustifiable act of violence.

His Highness then adverted to the alleged willingness of the German concessionnaires to admit an English group to a participation in the construction of the Asiatic line, and expressed a wish that Colonel Alt should speak as to this with Rustem Pasha in London, promising to send instructions to the latter with a view to negotiations for an arrangement.

I have seen since Mr. Pears, the legal adviser of the lessees here, who promised me to recommend to his clients to try to conclude an arrangement with the German group through the mediation of the Ottoman Ambassador.

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## No. 104.

*The Marquis of Salisbury to Sir W. White.*

(No. 141.)
(Telegraphic.)

*Foreign Office, December* 30, 1888, 7 P.M.

YOUR telegram No. 92.

Wilkin writes that on 24th instant his group received first intimation that Deutche Bank was disposed to fusion for carrying out Asia Minor extension with peremptory demand to produce guarantee at once for their portion of undertaking.

They replied that they could not commit themselves without particulars of scheme,



and that arrangement would be between their group and Deutche Bank not *locataires* whose claims would have to be satisfied as regards outlay and indemnity for preferential clause; also that owing to Christmas business was at a standstill. Peremptory answer was demanded.

Telegram in newspapers now announces that Turkish Government will seize line within a week, before claim can be considered.

They ask for protection from threatened injustice.

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## No. 105.

*The Marquis of Salisbury to Sir W. White.*

(No. 402. Ext. 141.)

*Foreign Office, December* 30, 1888.

Sir,

WITH reference to your telegram No. 90 of the 12th instant and to previous correspondence on the subject of the Haïdar-Pasha Railway question, I transmit to you herewith a copy of a letter from Mr. Wilkin,* the substance of which has already been communicated to your Excellency by telegraph.

The instructions with which you have already been furnished in connection with this matter appear to be sufficient for your Excellency's guidance.

I am, &c.
(Signed) SALISBURY.

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## No. 106.

*Sir W. White to the Marquis of Salisbury.*—(*Received December* 31, 11·15 P.M.)

(No. 95.)
(Telegraphic.)

*Constantinople, December* 31, 1888, 6·40 P.M.

HAIDAR-PACHA Railway: Your Lordship's telegram of yesterday No. 141.

It would be a mistake to suppose that either the Ottoman Government or its German concessionnaires have any desire for English co-operation in financing the new railway.

If the Grand Vizier threw out a wish to obtain a participation for the lessees it was merely, I am assured, with a view to terminating acute contest, which is sure of becoming worse should the Imperial Government carry out their intention of seizing the line at the end of the present week.

To prevent such an act, I have done everything that possibly could be done in the way of persuasion and diplomatic representation, and I possess no other means at my disposal to hinder this threat from being put into effect.

I believe a Special Commission has just been appointed at the Porte, charged with an inquiry as to the pecuniary claims of the lessees, and *vice versâ*. It would appear advisable that this opportunity for settling these amounts of the contested claims should not be entirely disregarded by them.

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* No. 101.